

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the period ended January 29, 1995

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or other organization)

56-1001967
(I.R.S. Employer Identification No.)

101 S. Main St., High Point, North Carolina
(Address of principal executive offices)

27261-2686
(zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for at least the past 90 days.

YES X NO

Common shares outstanding at January 29, 1995: 11,204,766
Par Value: \$.05

INDEX TO FORM 10-Q

January 29, 1995

	Page
Part I - Financial Information.	-----

Item 1. Financial Statements:	
Statements of Income--Three and Nine Months Ended January 29, 1995 and January 30, 1994	I-1
Balance Sheets--January 29, 1995 and May 1, 1994	
Statements of Cash Flows--Nine Months Ended January 29, 1995 and January 30, 1994	I-3
Statements of Shareholders' Equity	I-4
Notes to Financial Statements	I-5
Sales by Business Unit	I-8
Export Sales by Geographic Area	I-9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation	I-10

Part II - Other Information

Item 1.	Legal Proceedings	II-1
Item 2.	Changes in Securities	II-1
Item 3.	Default Upon Senior Securities	II-1
Item 4.	Submission of Matters to a Vote of Security Holders	II-1
Item 5.	Other Information	II-1
Item 6.	Exhibits and Reports on Form 8-K	II-1 - II-5
	Signatures	II-6

CULP, INC.
INCOME STATEMENTS
FOR THE THREE MONTHS & NINE MONTHS ENDED JANUARY 29, 1995 AND JANUARY 30, 1994

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)			Percent of Sales	
	Amounts		% Over (Under)		
	January 29, 1995	January 30, 1994		1995	1994
Net sales	77,791	67,031	16.1 %	100.0 %	100.0 %
Cost of sales	64,785	55,350	17.0 %	83.3 %	82.6 %
Gross profit	13,006	11,681	11.3 %	16.7 %	17.4 %
Selling, general and administrative expenses	8,295	7,798	6.4 %	10.7 %	11.6 %
Income from operations	4,711	3,883	21.3 %	6.1 %	5.8 %
Interest expense	1,120	899	24.6 %	1.4 %	1.3 %
Interest income	(14)	(11)	27.3 %	(0.0)%	(0.0)%
Other expense (income), net	245	91	169.2 %	0.3 %	0.1 %
Income before income taxes	3,360	2,904	15.7 %	4.3 %	4.3 %
Income taxes *	1,260	1,129	11.6 %	37.5 %	38.9 %
Net income	2,100	1,775	18.3 %	2.7 %	2.6 %
Average shares outstanding	11,205	11,098	1.0 %		
Earnings per share	\$0.19	\$0.16	18.8 %		
Dividends per share	\$0.025	\$0.020	25.0 %		

	NINE MONTHS ENDED (UNAUDITED)			Percent of Sales	
	Amounts		% Over (Under)		
	January 29, 1995	January 30, 1994		1995	1994
Net sales	222,585	167,600	32.8 %	100.0 %	100.0 %
Cost of sales	184,306	139,931	31.7 %	82.8 %	83.5 %
Gross profit	38,279	27,669	38.3 %	17.2 %	16.5 %
Selling, general and administrative expenses	24,227	19,189	26.3 %	10.9 %	11.4 %
Income from operations	14,052	8,480	65.7 %	6.3 %	5.1 %
Interest expense	3,341	1,632	104.7 %	1.5 %	1.0 %
Interest income	(61)	(56)	8.9 %	(0.0)%	(0.0)%
Other expense (income), net	612	(75)	**	0.3 %	(0.0)%
Income before income taxes	10,160	6,979	45.6 %	4.6 %	4.2 %
Income taxes *	3,810	2,514	51.6 %	37.5 %	36.0 %
Net income	6,350	4,465	42.2 %	2.9 %	2.7 %
Average shares	11,203	11,043	1.4 %		
Earnings per share	\$0.57	\$0.40	42.5 %		
Dividends per share	\$0.075	\$0.06	25.0 %		

* Percent of sales column is calculated as a % of income before income taxes.

** Measurement is not meaningful.

CULP, INC.
BALANCE SHEETS
JANUARY 29, 1995, JANUARY 30, 1994 AND MAY 1, 1994

(Unaudited, Amounts in Thousands)

	Amounts January 29, 1995	January 30, 1994	Increase (Decrease) Dollars	Percent	* May 1, 1994
Current assets					
Cash and cash investments	317	287	30	10.5 %	2,693
Accounts receivable	40,547	35,024	5,523	15.8 %	36,743
Inventories	44,314	39,668	4,646	11.7 %	36,596
Other current assets	2,920	2,285	635	27.8 %	2,227
Total current assets	88,098	77,264	10,834	14.0 %	78,259
Restricted investments	1,602	3,577	(1,975)	(55.2)%	2,923
Property, plant & equipment, net	69,373	60,333	9,040	15.0 %	64,004
Cost in excess of net assets of business acquired, net	18,850	16,886	1,964	11.6 %	18,706
Other assets	1,215	933	282	30.2 %	1,056
Total assets	179,138	158,993	20,145	12.7 %	164,948
Current Liabilities					
Current maturities of long-term debt	6,100	2,674	3,426	128.1 %	3,050
Accounts payable	24,126	20,504	3,622	17.7 %	28,466
Accrued expenses	10,082	6,712	3,370	50.2 %	8,158
Income taxes payable	1,391	1,551	(160)	(10.3)%	636
Total current liabilities	41,699	31,441	10,258	32.6 %	40,310
Long-term debt	65,711	66,293	(582)	(0.9)%	58,512
Deferred income taxes	3,477	2,005	1,472	73.4 %	3,477
Total liabilities	110,887	99,739	11,148	11.2 %	102,299
Shareholders' equity	68,251	59,254	8,997	15.2 %	62,649
Total liabilities and stockholders' equity	179,138	158,993	20,145	12.7 %	164,948
Shares outstanding	11,205	11,174	31	0.3 %	11,177

* Derived from audited financial statements.

** Measurement is not meaningful.

CULP, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 29, 1995 AND JANUARY 30, 1994
(Unaudited, Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts January 29, 1995	January 30, 1994
Cash flows from operating activities:		
Net income	6,350	4,465
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,237	5,909
Amortization of intangible assets	458	112
Provision for deferred income taxes	(272)	0
Changes in assets and liabilities:		
Accounts receivable	(3,804)	1,249
Inventories	(7,718)	(6,797)
Other current assets	(421)	(321)
Other assets	(761)	(318)
Accounts payable	(4,340)	(3,188)
Accrued expenses	1,924	(532)
Income taxes payable	755	138
Net cash provided by (used in) operating activities	408	717
Cash flows from investing activities:		
Capital expenditures	(13,606)	(10,161)
Purchases of restricted investments	(60)	(3,577)
Proceeds from sale of restricted investments	1,381	0
Business acquired	0	(38,703)
Net cash provided by (used in) investing activities	(12,285)	(52,441)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	20,000	43,902
Principal payments on long-term debt	(9,751)	(1,517)
Net increase (decrease) in bank overdrafts	0	2,139
Dividends paid	(840)	(590)
Proceeds from sale of common stock	92	858
Net cash provided by (used in) financing activities	9,501	44,792
Increase (decrease) in cash and cash investments	(2,376)	(6,932)
Cash and cash investments at beginning of period	2,693	7,219
Cash and cash investments at end of period	317	287

Culp, Inc.
STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

(Amounts in thousands, except per share data)

	Common Stock Shares	Amount	Capital Contributed in Excess of Par Value	Retained Earnings	Total Shareholders' Equity
Balance, May 2, 1993	7,259,161	\$ 362	\$ 15,333	\$ 38,826	\$ 54,521
Cash dividends (\$.08 per share)				(887)	(887)
Net income				7,665	7,665
Common stock issued in connection with stock option plan	212,140	11	1,339		1,350
Three-for-two stock split	3,706,052	185	(185)		
Balance, May 1, 1994	11,177,353	\$ 558	\$ 16,487	\$ 45,604	\$ 62,649
Cash dividends (\$.075 per share)				(840)	(840)
Net income				6,350	6,350
Common stock issued in connection with stock option plan	27,413	2	90		92
Balance, January 29, 1995	11,204,766	\$ 560	\$ 16,577	\$ 51,114	\$ 68,251

Culp, Inc.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

Certain amounts for fiscal year 1994 have been reclassified to conform with the fiscal year 1995 presentation. Such reclassifications had no effect on net income as previously reported. All such adjustments are of a normal recurring nature.

The results of operations for the nine months ended January 29, 1995 are not necessarily indicative of the results to be expected for the full year.

2. Accounts Receivable

The company factors a certain amount of its accounts receivable, primarily on a nonrecourse basis. The factoring arrangements are used solely for credit purposes, and not for borrowing purposes.

A summary of accounts receivable follows (dollars in thousands):

	January 29, 1995	May 1, 1994
Customers	\$ 38,558	\$ 33,346
Factors	2,857	4,423
Allowance for doubtful accounts	(517)	(631)
Reserve for returns and allowances	(351)	(395)
	\$ 40,547	\$ 36,743

3. Inventories

Inventories are carried at the lower of cost or market. Cost is determined for substantially all inventories using the LIFO (last-in, first-out) method.

A summary of inventories follows (dollars in thousands):

	January 29, 1995	May 1, 1994
Raw materials	\$ 24,660	\$ 19,893
Work-in-process	3,126	3,411
Finished goods	19,630	15,315
Total inventories valued at FIFO cost	47,416	\$ 38,619
Adjustments to reduce FIFO cost to LIFO	(3,102)	(2,023)
	\$ 44,314	\$ 36,596

Culp, Inc.
 NOTES TO FINANCIAL STATEMENTS
 (unaudited)

4. Accounts Payable

A summary of accounts payable follows (dollars in thousands):

	January 29, 1995	May 1, 1994
Bank overdraft	\$ 0	\$ 0
Accounts payable-trade	17,651	21,023
Accounts payable-capital expenditures	6,475	7,443
	\$ 24,126	\$ 28,466

5. Accrued Expenses

A summary of accrued expenses follows (dollars in thousands):

	January 29, 1995	May 1, 1994
Compensation	\$ 5,019	\$ 3,554
Acquisition costs	930	839
Other	4,133	3,765
	\$ 10,082	\$ 8,158

6. Long-term Debt

A summary of long-term debt follows (dollars in thousands):

	January 29, 1995	May 1, 1994
Secured term loan	\$ 43,000	\$ 36,000
Industrial revenue bonds	15,811	15,929
Subordinated note payable	1,000	9,633
Revolving credit line	12,000	0
	71,811	61,562
Less current maturities	(6,100)	(3,050)
	\$ 65,711	\$ 58,512

On November 7, 1994, the company amended its loan agreements, in order to provide a significantly lower interest rate spread above LIBOR, an additional \$8.0 million in term debt to prepay the majority of the subordinated note payable, which carried an interest rate of prime plus one-half percent, and fewer financial covenants.

The company's loan agreements require, among other things, that the company maintain certain financial ratios. At January 29, 1995, the company was in compliance with these required covenants.

Culp, Inc.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

7. Subsequent Event

On March 6, 1995, the company completed the purchase of the common stock of Rayonese Textile Inc. The transaction had an estimated value of approximately \$11 million and involved the purchase of common stock as well as the assumption of certain liabilities.

8. Cash Flow Information

Payments for interest and income taxes during the period were (dollars in thousands):

	1995	1994
	-----	-----
Interest	\$ 3,401	\$ 1,300
Income taxes	3,055	2,376

CULP, INC.
 SALES BY BUSINESS UNIT
 FOR THREE MONTHS AND NINE MONTHS ENDED JANUARY 29, 1995
 AND JANUARY 30, 1994

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Business Units	Amounts		% Over (Under)	Percent of Total Sales	
	January 29 1995	January 30, 1994		1995	1994
Upholstery Fabrics					
Flat Wovens					
Existing Culp	20,940	19,673	6.4 %	26.9 %	29.3 %
Rossville/Chromatex	16,397	14,113	16.2 %	21.1 %	21.1 %
	37,337	33,786	10.5 %	48.0 %	50.4 %
Velvets/Prints					
	28,307	23,714	19.4 %	36.4 %	35.4 %
	65,644	57,500	14.2 %	84.4 %	85.8 %
Mattress Ticking					
	12,147	9,531	27.4 %	15.6 %	14.2 %
	77,791	67,031	16.1 %	100.0 %	100.0 %

NINE MONTHS ENDED (UNAUDITED)

Business Units	Amounts		% Over (Under)	Percent of Total Sales	
	January 29 1995	January 30, 1994		1995	1994
Upholstery Fabrics					
Flat Wovens					
Existing Culp	63,387	57,190	10.8 %	28.5 %	34.1 %
Rossville/Chromatex	47,295	14,113	N/A	21.2 %	N/A
	110,682	71,303	55.2 %	49.7 %	42.5 %
Velvets/Prints					
	75,390	69,120	9.1 %	33.9 %	41.2 %
	186,072	140,423	32.5 %	83.6 %	83.8 %
Mattress Ticking					
	36,513	27,177	34.4 %	16.4 %	16.2 %
	222,585	167,600	32.8 %	100.0 %	100.0 %

CULP, INC.
 EXPORT SALES BY GEOGRAPHIC AREA
 FOR THREE MONTHS AND NINE MONTHS ENDED JANUARY 29, 1995
 AND JANUARY 30, 1994

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	January 29 1995	January 30, 1994	% Over (Under)	1995	1994
North America (Excluding USA)	2,800	2,585	8.3 %	20.1 %	25.3 %
Europe	5,821	4,827	20.6 %	41.7 %	47.2 %
South America	489	450	8.7 %	3.5 %	4.4 %
Far East & Asia	2,036	755	169.7 %	14.6 %	7.4 %
Middle East	1,703	794	114.5 %	12.2 %	7.8 %
All other areas	1,106	808	36.9 %	7.9 %	7.9 %
	13,955	10,219	36.6 %	100.0 %	100.0 %

NINE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	January 29 1995	January 30, 1994	% Over (Under)	1995	1994
North America (Excluding USA)	9,343	8,077	15.7 %	25.3 %	27.2 %
Europe	12,707	11,958	6.3 %	34.3 %	40.3 %
South America	1,639	917	78.7 %	4.4 %	3.1 %
Far East & Asia	6,000	3,813	57.4 %	16.2 %	12.9 %
Middle East	4,439	1,195	271.5 %	12.0 %	4.0 %
All other areas	2,871	3,713	(22.7)%	7.8 %	12.5 %
	36,999	29,673	24.7 %	100.0 %	100.0 %

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Analysis of Operations

Sales by major Business Unit and Export Sales by Geographic Area for the three and nine months are set forth in separate schedules on the two preceding pages.

Net Sales - The sales increase in upholstery fabrics for the nine month period is primarily attributable to additional sales volume from the Rossville/Chromatex acquisition, which was effective November 1, 1993. For the nine month period, Rossville/Chromatex contributed sales of \$47.3 million, compared to \$14.1 million for the same period of last year. All three operating units (Flat Wovens including Rossville/ Chromatex, Mattress Ticking, and Velvets/Prints) reported sales gains for the quarter, including strong increases in the printed mattress ticking and wet prints upholstery fabric product lines. For the nine month period, all business units reported sales gains, with the sales of mattress ticking and jacquard and wet prints upholstery fabrics significantly higher.

The trends for current backlogs and incoming order rates in comparison to last year are as follows: Mattress Ticking was up significantly, up moderately overall for Flat Wovens, with particular strength in the Rossville dobby product line, and in Velvets/Prints up moderately, with particular strength in the wet prints product line and an improving trend in the heat transfer prints product line. While sales and profitability of the Velvets/Prints business unit continued to be below target levels in the third quarter results were improved significantly from the first and second quarters and, current indicators show an improving trend for the fourth quarter of the fiscal year.

Export sales were up significantly for the quarter and the first nine months, with strength in Europe, the Far East and Asia, and the Middle East. Sales into Europe were up approximately 21% for the quarter, a continuation of the positive trend which began during the second quarter of this fiscal year. The outlook for export sales gains remains good.

The trend of increasing interest rates over the last year will likely have an adverse impact on consumer demand for furniture and bedding at some point, because of lower housing starts and housing resales, lower disposable personal income and slower overall economic growth. It remains unclear when the upward trend in interest rates will stabilize. It appears to the company that overall U. S. residential furniture demand has weakened over the last two months and that the near-term demand is also weaker than a year ago.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

The table below sets forth the percentage relationship to net sales of certain items in the Statements of Income.

	Three Months Ended		Nine Months Ended	
	January 29, 1995	January 30, 1994	January 29, 1995	January 30, 1994
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	83.3	82.6	82.8	83.5
Gross profit	16.7	17.4	17.2	16.5
Selling, general and administrative expenses	10.7	11.6	10.9	11.4
Income from operations	6.1	5.8	6.3	5.1
Interest expense	1.4	1.3	1.5	1.0
Interest income	0.0	0.0	0.0	0.0
Other expense (income), net	0.3	0.1	0.3	0.0
Income before income taxes	4.3	4.3	4.6	4.2
Income taxes (*)	37.5	38.9	37.5	36.0
Net income	2.7 %	2.6 %	2.9 %	2.7 %

(*) Calculated as a percent of income before income taxes.

Gross Profit and Cost of Sales - The increase in gross profit dollars for the nine month period is attributable to a strong contribution from the Rossville/Chromatex acquisition. The gross profit increase for the three month period reflects a solid contribution from flat wovens, and a continuation of the significant improvement from mattress ticking. The company has experienced a trend of improvement in profitability and backlogs for the velvets/prints business unit and is expecting gains for the fourth quarter in comparison to the same period of fiscal 1994. Additionally, the company has been receiving moderate raw material price increases in all areas, which are beginning to affect margins.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Selling, General and Administrative (S,G & A) Expenses - S,G & A expenses increased in absolute dollars for the three and nine months of this fiscal year, primarily related to the addition of the Rossville/Chromatex division. S,G & A expenses as a percentage of sales decreased for the three and nine months of this fiscal year. The company continues to place a high priority on the containment of S,G & A expenses. Additionally, the company expects this category of expenses to decrease as a percentage of sales for fiscal 1995 as a whole in comparison to fiscal 1994, and expects that S,G & A expenses will not exceed \$33 million.

Interest Expense, Interest Income - Interest expense increased for the three and nine months periods due to additional borrowings related to capital expenditures and higher levels of working capital necessary to support sales growth, and to higher interest rates. Interest income increased \$5,000 compared to the first nine months of last year. The company continues to expect interest expense to be significantly higher than fiscal 1994 and interest income to be somewhat lower than fiscal 1994, with interest expense for the full year in the \$4.5 to \$5.0 million range.

Other Expense (Income), Net - Other expense (income), net was \$154,000 higher than the third quarter of fiscal 1994, and \$687,000 higher than the first nine months of fiscal 1994. The most significant item in this category of expenses for fiscal 1995 is the amortization of costs in excess of net assets of business acquired related to the Rossville/Chromatex acquisition. Additionally, amortization of debt issue costs was higher during the first nine months of fiscal 1995. Finally, the company recognized gains on the sale of fixed assets during the third quarter and first nine months of last year. No similar gains was realized during the third quarter or first nine months of fiscal 1995. The company expects other expense (income), net to approximate \$800,000 for fiscal 1995.

Income Taxes - The effective tax rate for the quarter decreased primarily because of a catch-up adjustment recorded in last year's third quarter. For the first nine months, the effective tax rate increased primarily due to a significantly higher level of pretax income. The company expects the full year effective tax rate to approximate 37.5%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Liquidity and Capital Resources

The company has continued to maintain a sound financial position during the third quarter and the first nine months of fiscal 1995. Long and short-term debt less restricted investments (funded debt) increased to \$70,209,000 from \$58,639,000, and as a percentage of shareholders' equity to 102.9% from 93.6% at the end of fiscal 1994. Also, funded debt as a percentage of total capitalization was 50.7% at January 29, 1995, versus 48.3% at May 1, 1994. The company's current ratio increased to 2.1 to 1, from 1.9 to 1 at May 1, 1994. At January 29, 1995, shareholders' equity was \$68,251,000, or \$6.09 per share, an increase of 8.6% over the previous year end.

During the first nine months of fiscal 1995, the company reported cash flows from operating activities of \$408,000. The primary source of operating cash flows was cash from earnings (net income plus depreciation and amortization) of \$15,045,000. Adding to this source of operating cash flows was an increase in accrued expenses of \$1,924,000 and an increase in income taxes payable of \$755,000. Significantly offsetting these sources of operating cash flows were an increase in inventories of \$7,718,000, an increase in accounts receivable of \$3,804,000, and a decrease in accounts payable of \$4,340,000. The operating cash flows of \$408,000, were combined with \$20,000,000 of proceeds from the issuance of long-term debt, \$1,381,000 of proceeds from sale of restricted investments, \$2,376,000 reduction of cash and proceeds from sale of common stock of \$92,000 which funded principal payments on long-term debt of \$9,751,000, capital expenditures of \$13,606,000, and dividends of \$840,000.

For fiscal 1995 as a whole, the company expects to generate significantly lower cash flows from operations than fiscal 1994. The company's fiscal 1995 capital expenditures budget is \$21,000,000. This represents a \$3.5 million increase in the current year's budget, which relates to the expansion of jacquard weaving capacity at Rayonese (acquired on March 6, 1995). Capital expenditures for fiscal 1995 principally involve purchases of equipment for expansion of the company's vertical integration capabilities in yarn manufacturing, expansion of weaving capacity at several plants and additional hardware investments in the company's information systems. Additionally, the company is currently estimating the fiscal 1996 capital expenditures budget to be in the range of \$10 million dollars, which will be the lowest level of annual capital expenditures since fiscal 1990.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

At January 29, 1995, the company had \$15,000,000 in available borrowings under its existing revolving credit line. Management believes cash investments, cash flows from operations, the revolving credit line and the availability of additional financing will be sufficient to meet the company's financing needs for the foreseeable future. On November 7, 1994, the company amended its loan agreements with the banks to provide a significantly lower interest rate spread above LIBOR, an additional \$8.0 million in term debt to prepay the majority of the subordinated note payable during the third quarter, and fewer financial covenants. On March 6, 1994, the Company amended its loan agreements to increase availability under the Company's revolving credit facility from \$27,000,000 to \$33,300,000.

New Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement No. 112, "Employers' Accounting for Postemployment Benefits." Under Statement 112, the cost of postemployment benefits must be recognized on an accrual basis as employees perform services to earn the benefits. Implementation of the pronouncement is required for fiscal years beginning after December 15, 1993. The company does not know and cannot reasonably estimate the impact of Statement 112, and plans to adopt the statement in its fiscal year 1995.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings that are required to be disclosed under this item.

Item 2. Change in Securities

None

Item 3. Default Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

- 3(i) Articles of Incorporation of the company, as amended by Articles of Amendment dated December 21, 1994.
- 3(ii) Restated and Amended Bylaws of the company, as amended, were filed as Exhibit 3(b) to the company's Form 10-K for the year ended April 28, 1991, filed July 25, 1991, and are incorporated herein by reference.
- 10(a) Loan Agreement dated December 1, 1988 with Chesterfield County, South Carolina relating to Series 1988 Industrial Revenue Bonds in the principal amount of \$3,377,000 and related Letter of Credit and Reimbursement Agreement dated December 1, 1988 with First Union National Bank of North Carolina were filed as Exhibit 10(n) to the company's Form 10-K for the year ended April 29, 1989, and are incorporated herein by reference.

- 10(b) Loan Agreement dated November 1, 1988 with the Alamance County Industrial Facilities and Pollution Control Financing Authority relating to Series A and B Industrial Revenue Refunding Bonds in the principal amount of \$7,900,000, and related Letter of Credit and Reimbursement Agreement dated November 1, 1988 with First Union National Bank of North Carolina were filed as exhibit 10(o) to the company's Form 10-K for the year ended April 29, 1990, and are incorporated herein by reference.
- 10(c) Loan Agreement dated January 5, 1990 with the with the Guilford County Industrial Facilities and Pollution Control Financing Authority, North Carolina, relating to Series 1989 Industrial Revenue Bonds in the principal amount of \$4,500,000, and related Letter of Credit and Reimbursement Agreement dated January 5, 1990 with First Union National Bank of North Carolina was filed as Exhibit 10(d) to the company's Form 10-K for the year ended April 19, 1990, filed on July 15, 1990, and is incorporated herein by reference.
- 10(d) Severance Protection Agreement, dated September 21, 1989, was filed as Exhibit 10(f) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25 1990, and is incorporated herein by reference.
- 10(e) Lease Agreement, dated January 19, 1990, with Phillips Interests, Inc. was filed as Exhibit 10(g) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference.
- 10(f) Lease Agreement, dated September 6, 1988, with Partnership 74 was filed as Exhibit 10(h) to the company's Form 10-K for the year ended April 28, 1991, filed on July 25, 1990, and is incorporated herein by reference.
- 10(g) Management Incentive Plan of the company, dated August 1986 and amended July 1989, was filed as Exhibit 10(o) to the company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference.
- 10(h) Amendment and Restatement of the Employees's Retirement Builder Plan of the company dated May 1,

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

- 10(i) Second Amendment of Lease Agreement dated April 16, 1993, with Partnership 52 Associates was filed as Exhibit 10(l) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(j) First Amendment of Lease Agreement, dated July 27, 1992 with Partnership 74 Associates was filed as Exhibit 10(n) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(k) 1993 Stock Option Plan was filed as Exhibit 10(o) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(l) Loan Agreement dated as of December 1, 1993 between Anderson County, South Carolina and the company relating to \$6,580,000 Anderson County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993, and related Letter of Credit and Reimbursement Agreement dated as of December 1, 1993 by and between the company and First Union National Bank of North Carolina was filed as Exhibit 10(o) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(m) First Amendment to Loan Agreement dated as of December 1, 1993 by and between The Guilford County Industrial Facilities and Pollution Control Financing Authority and the company, and related Reimbursement and Security Agreement dated as of December 1, 1993 between the company and Wachovia Bank of North Carolina, National Association was filed as Exhibit 10(p) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.

- 10(n) First Amendment to Loan Agreement dated as of December 16, 1993 by and between The Alamance County Industrial Facilities and Pollution Control Financing Authority and the company, and related First Amendment to Letter of Credit and Reimbursement Agreement dated as of December 16, 1993 between First Union National Bank of North Carolina and the company was filed as Exhibit 10(q) to the company's Form 10-Q filed, filed on March 15, 1994, and is incorporated herein by reference.
- 10(o) First Amendment to Loan Agreement dated as of December 16, 1993 by and between Chesterfield County, South Carolina and the company, and related First Amendment to Letter of Credit and Reimbursement Agreement dated as of December 16, 1993 by and between First Union National Bank of North Carolina and the company was filed as Exhibit 10(r) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(p) 1994 Amended and Restated Credit Agreement dated as of April 15, 1994 by and among the company, First Union National Bank of North Carolina and Wachovia Bank of North Carolina was filed as Exhibit 10(r) to the company's Form 10-K, filed on July 27, 1994, and is incorporated herein by reference.
- 10(q) First Amendment to 1994 Amended and Restated Credit Agreement dated as of April 30, 1994 by and among the company, First Union National Bank of North Carolina and Wachovia Bank of North Carolina was filed as Exhibit 10(s) to the company's Form 10-K, filed on July 27, 1994, and is incorporated herein by reference.
- 10(r) Interest Rate Swap Agreements between company and NationsBank of Georgia (formerly The Citizens and Southern National Bank) dated July 14, 1989 were filed as Exhibit 10(t) to the company's Form 10-K, filed on July 27, 1994, and are incorporated herein by reference.
- 10(s) Second Amendment to 1994 Amended and Restated Credit Agreement, dated as of April 30, 1994 by and among the company, First Union Bank of North Carolina, and Wachovia Bank of North Carolina was filed as Exhibit 10(s) to the company's Form 10-Q, filed on September 13, 1994, and is incorporated herein by reference.

- 10(t) Second Amended Memorandum of Lease with Partnership 74, dated June 15, 1994, was filed as Exhibit 10(t) to the company's Form 10-Q, filed on September 13, 1994, and is incorporated herein by reference.
- 10(u) Share Purchase Agreement dated as of December 22, 1994, between Masgan Inc. and Salorna Inc. as Vendors and 3096726 Canada Inc. as Purchaser, relating to the purchase of Rayonese Textile Inc.
- 10(v) Third Amendment to 1994 Amended and Restated Credit Agreement, dated as of November 1, 1994, by and among the company, First Union National Bank of North Carolina, N.A. and Wachovia Bank of North Carolina, N.A.
- 10(w) Amendment to Lease dated as of November 4, 1994, by and between the company and RDC, Inc.
- 10(x) Amendment and Agreement dated as of December 14, 1994, by and between the company, Rossville Investments, Inc., Rossville Companies, Inc., Chromatex, Inc., Rossville Velours, Inc. and RDC, Inc.
- 10(y) Amendment to Lease Agreement dated as of December 14, 1994, by and between the company and Rossville Investments, Inc. (formerly known as A & E Leasing, Inc.).
- 27 Financial Data Schedule.

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

- (1) Form 8-K dated November 15, 1994 included under Item 5, Other Events, disclosure of the company's press release for quarterly earnings and the company's Financial Information Release relating to the financial information for the second quarter ended October 30, 1994.
- (2) Form 8-K dated December 23, 1994 included under Item 5, Other Events, disclosure of the company's press release related to the acquisition of Rayonese Textile Inc.

SIGNATURES

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

CULP, INC.
(Registrant)

Date: March 14, 1995

By: s/s Franklin N. Saxon

Franklin N. Saxon
Vice President and
Chief Financial Officer

(Authorized to sign on behalf
of the registrant and also
signing as principal
accounting officer)

Date: March 14, 1995

By: s/s Stephen T. Hancock

Stephen T. Hancock
General Accounting Manager

(Chief Accounting Officer)

ARTICLES OF AMENDMENT
OF
CULP, INC.

The undersigned corporation hereby submits these Articles of Amendment for the purpose of amending its articles of incorporation:

1. The name of the corporation is Culp, Inc.

2. The following amendment to the articles of incorporation of the corporation was adopted by its shareholders on the 20th day of September, 1994, in the manner prescribed by law:

The Articles of Incorporation shall be amended by deleting Article 4 in its entirety and substituting the following text as Article 4:

4. The corporation shall have the authority to issue fifty million (50,000,000) shares consisting of forty million (40,000,000) shares of common stock with a par value of five cents (\$0.05) per share and ten million (10,000,000) shares of preferred stock with a par value of five cents (\$0.05) per share, the rights, preferences and limitations of which preferred stock may be determined from time to time in the discretion of the Board of Directors.

3. These articles will become effective upon filing.

This the 21st day of December, 1994.

CULP, INC.

By: /s/ Robert G. Culp, III
Robert G. Culp, III
Chief Executive Officer

SHARE PURCHASE AGREEMENT

BETWEEN

MASGAN INC. AND
SALORNA INC. AS VENDORS

AND

3096726 CANADA INC.
AS PURCHASER

December 22, 1994

TABLE OF CONTENTS

1.	DEFINED TERMS	2
2.	PURCHASED SHARES	5
3.	PURCHASE PRICE	6
4.	ADJUSTMENT	9
5.	SECURITY	9
6.	REPRESENTATIONS AND WARRANTIES OF THE VENDORS	10
	6.1 Enforceability of the Agreement.	10
	6.2 Corporate Status	11
	6.3 Capital Stock & Records	11
	6.4 Business	13
	6.5 Assets and Liabilities	14
	6.6 Conduct of Business	16
	6.7 Contracts	18
	6.8 Insurance	20
	6.9 Taxes	21
	6.10 Patents, Trade Marks and Copyright	21
	6.11 Environmental Matters	22
	6.12 Labour Relations	26
	6.13 Bank Accounts, Etc.	27
	6.14 Conflicting Interests	27
	6.15 No Finder's or Broker's Fee	27
	6.16 Vendors' Residence	28
	6.17 Full Disclosure	28
	6.18 Investment	29
7.	REPRESENTATIONS AND WARRANTIES OF THE PURCHASER	29
	7.1 Enforceability of the Agreement	30
	7.2 No Violation	30
	7.3 No Legal Proceedings	30
	7.4 No Finder's Fee	30
	7.5 Purchaser's Residence	31
8.	SURVIVAL AND RELIANCE ON REPRESENTATIONS AND WARRANTIES AND INDEMNIFICATION	31
	8.1 Survival Notwithstanding Investigation	31
	8.2 Indemnification by Vendors	31
	8.3 Indemnification by Purchaser	32

8.4	Indemnification against Third Party Claims	32
8.5	Indemnification to be After Tax, Insurance, Etc.	34
8.6	Expiry of Liability	34
8.7	De Minimis	35
8.8	Limitation of Liability	35
8.9	Set-Off	36
8.10	Arbitration	36
8.11	Nonexclusivity of Remedy; Waiver of Certain Rights	39
9.	COVENANTS OF THE VENDORS	39
9.1	Best Efforts to Maintain and Preserve	40
9.2	Notice of Cessation in Ordinary Course	40
9.3	Access for Purchaser	40
9.4	Maintain Insurance	41
9.5	Corporate Proceedings for Transfer	41
9.6	Replacement of Officers and Directors	41
9.7	Further Assurances	42
9.8	Exclusivity	42
9.9	1994 Audited Financing Statements	42
9.10	List of Arbitrators	43
10.	COVENANTS OF THE PURCHASER	43
10.1	Discharge of Toronto Dominion Bank Security	43
10.2	List of Arbitrators	43
10.3	Investment Canada Act	43
11.	CONDITIONS OF CLOSING	44
11.1	Conditions for the Benefit of the Purchaser	44
11.2	Conditions for the Benefit of the Vendors	50
12.	CLOSING	51
13.	MISCELLANEOUS	52
13.1	Notices, Etc.	52
13.2	Specific Performance	53
13.3	Governing Law	54
13.4	Time of the Essence	54
13.5	Public Announcement	54
13.6	Expenses	54
13.7	Successors and Assigns	54
13.8	References to Disclosure Schedule	55
13.9	Entire Agreement	55
13.10	Counterparts	55
13.11	Language	56

EXHIBITS AND SCHEDULE

EXHIBIT 1 Audited Financial Statements of Rayonese Textile Inc.

EXHIBIT 2 Note

EXHIBIT 3 List of security and Purchaser's covenants

EXHIBIT 4 Opinion of Vendor's Counsel

EXHIBIT 5 Non-Competition and Confidentiality Agreement

DISCLOSURE SCHEDULE

THIS AGREEMENT made as of the 22nd day of December, 1994

B E T W E E N: MASGAN INC., a corporation duly incorporated under, the Canada Business Corporations Act, herein acting and represented by Maurice Wechsler, its President, duly authorized in virtue of a resolution of its Board of Directors dated December 7, 1994;

(hereinafter, "MASGAN")

A N D: SALORNA INC., a corporation duly incorporated under the Canada Business Corporations Act, herein acting and represented by Henri Wechsler, its President, duly authorized in virtue of a resolution of its Board of Directors dated December 7, 1994;

(hereinafter, "SALORNA")

(MASGAN and SALORNA being hereinafter collectively referred to as the "Vendors")

OF THE FIRST PART,

A N D: 3096726 CANADA INC., a corporation duly incorporated under the Canada Business Corporations Act, herein acting and represented by Franklin N. Saxon, its Vice President and Treasurer, duly authorized in virtue of a resolution of its Board of Directors dated December 20, 1994;

(the "Purchaser")

OF THE SECOND PART.

THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein set out and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. DEFINED TERMS

Where used herein, except where the context otherwise requires, the following terms shall have the following meanings respectively:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Audit Date" means December 31, 1993.

"Audited Financial Statements" means the audited balance sheet of the Corporation and related statements of earnings and retained earnings and changes in financial position for the fiscal year ended December 31, 1993, prepared by Price Waterhouse, Chartered Accountants and attached hereto as Exhibit 1.

"Bank Guarantee" means the irrevocable guarantee of a Schedule I Canadian Chartered Bank obtained at the cost of the Vendors in favour of the Purchaser in form and terms acceptable to the Purchaser guaranteeing the payment of any and all claims of the Purchaser for indemnification by each of the Vendors under Section 8 up to an aggregate amount of \$500,000 in respect of each of the Vendors.

"Book Value of the Purchased Shares" means the value of the shareholders' equity of the Corporation as established by the Closing Balance Sheet.

"Closing" means the consummation and completion of the sale and purchase of the Purchased Shares as provided for in Section 12 hereof.

"Closing Balance Sheet" means the audited balance sheet of the Corporation as at the Closing Date to be prepared by KPMG Peat Marwick Thorne, Chartered Accountants, in accordance with generally accepted accounting principles consistently applied.

"Closing Date" means 10:00 a.m. local time at the Closing Place on March 1, 1995 or such other time and date as the parties may agree upon.

"Closing Place" means the office of Counsel for the Purchaser at 1981 McGill College, 12th Floor, in the City of Montreal in the Province of Quebec.

"Conversion Rate" means the rate of conversion of Canadian currency into United States currency, which the Vendors and the Purchaser have agreed shall be Cdn. \$1.375 for U.S. \$1.00 for the purposes of this Agreement.

"Corporation" means Rayonese Textile Inc., a corporation existing under the Canada Business Corporations Act, pursuant to a Certificate of Continuance dated August 15, 1978.

"Counsel for the Vendors" means Messrs. Kugler Kandestin.

"Counsel for the Purchaser" means Messrs. Ogilvy Renault.

"CULP" means Culp, Inc., a corporation existing under the laws of the State of North Carolina, U.S.A.

"Disclosure Schedule" means the Schedule so entitled which is appended to this Agreement.

"Dollars and \$" means lawful money of Canada, unless otherwise indicated.

"Employment Agreements" means the employment agreements referred to in Sections 11.1.11 and 11.2.2.

"Indemnitee" and "Indemnitor" have the respective meanings attributed to such terms in Section 8.4.

"Lien" means any hypothec, priority, mortgage, pledge, lien, charge, encumbrance, easement, title defect or irregularity, lease, security interest or option or claim or right of another.

"Non-Competition Agreements" means the non-competition and confidentiality agreements referred to in Section 11.1.13.

"Notes" means the convertible notes provided for in Section 3.6.

"Person" means an individual, partnership, joint venture, association, corporation, trust, or a government or any department or agency thereof.

"Proprietary Intangibles" means and includes all rights held in virtue of any copyright, design, trade mark, trade name, trade secret, patent, trade dress, logos, computer software or other intellectual property or any application therefor.

"Purchase Price" has the meaning attributed to it in Section 3 hereof.

"Purchased Shares" means all of the issued and outstanding shares of the Corporation.

"Purchaser's Default" means default by the Purchaser to perform any of its obligations under Sections 3.2, 3.3 or 3.4, the Notes or the security documents or covenants referred to in Exhibit 3 attached hereto.

"Securities Act" means the United States Securities Act of 1933.

"Taxes" means any tax (including, without limitation, any tax on income, corporations, capital, excise, property, transfer, water, business, goods and services), any duty, stamp, deduction, deduction at source, charge, assessment, fees or costs of any nature (including, without limitation, any interest, penalty or additional costs relating thereto) imposed by any competent authority.

"Third Party Claim" means any demand or statement or any notice thereof which has been made on or communicated to the Vendors or Purchaser or the Corporation by or on behalf of any Person other than the foregoing and which, if maintained or enforced, will or might result in a loss, liability or expense of the nature described in either Section 8.2 or Section 8.3.

"This Agreement", "these presents", "herein", "hereby", "hereunder" and similar expressions refer to this Agreement of Purchase and Sale and the accompanying schedules.

"Vendors' Best Knowledge" means the knowledge of the Vendors after the enquiry by the Vendors of the following officers and employees of the Corporation: the President, Henri Wechsler; the Secretary-Treasurer, Maurice Wechsler; the Vice-President, Blair Barwick and the Plant Manager, Bertrand Voisine.

"1994 Audited Financial Statements" means the audited financial statements of the Corporation to be prepared and delivered pursuant to Section 9.9.

2. PURCHASED SHARES

The Vendors covenant and agree to sell, assign and transfer the Purchased Shares to the Purchaser and the Purchaser agrees to acquire the Purchased Shares from the Vendors on the Closing Date, the whole for the Purchase Price and upon the terms and conditions herein provided.

3. PURCHASE PRICE

The purchase price of the Purchased Shares shall be the sum of TEN MILLION DOLLARS (\$10,000,000) (the "Purchase Price"), subject to adjustment in accordance with Section 4 hereof. The Purchase Price shall be payable by the Purchaser to the Vendors as follows:

3.1 TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000) payable at Closing by certified cheque, banker's draft or bank wire transfer as follows:

To MASGAN	\$1,250,000
To SALORNA	\$1,250,000

3.2 the balance of SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$7,500,000), as adjusted in accordance with Section 4 hereof (the "Balance"), shall be represented by the Notes and shall, subject to the provisions of Sections 3.3 and 3.4, be payable thirty-six (36) months after Closing by certified cheque, banker's draft or bank wire transfer in U.S. funds converted at the Conversion Rate, said Balance to bear interest calculated and payable in U.S. funds at the rate of six percent (6%) per annum, compounded in the event of non-payment, said interest being payable in arrears on a quarterly basis commencing ninety (90) days following Closing; the payment of the Balance and interest thereon shall be made to the Vendors in the following proportions:

To MASGAN:	50%
To SALORNA:	50%

In the event of a Purchaser's Default, the entire Balance shall become due and payable if such Purchaser's Default, except in the case of default of the Purchaser to deliver certificates for shares of CULP within the delays stipulated in Sections 3.3 and 3.4 which shall require no notice, is not rectified by the Purchaser within ten (10) days following notice thereof given by the Vendors to the Purchaser.

3.3 At any time after the first anniversary of the Closing and subject to the provisions of Sections 3.4 and 3.5:

- (i) upon forty-five (45) days' prior notice (which may be given prior to the first anniversary of the Closing) to the Purchaser, each of the Vendors shall be entitled to demand payment of all or any portion of the Balance owed to it with interest accrued to the date of payment;
- (ii) for so long as the portion of the Balance owed to it remains unpaid, each of the Vendors (for the purposes hereof, the "Converting Party") shall be entitled, in accordance with the terms of the Notes, to convert all or any part of said portion of the Balance or remainder thereof owed to it (as determined by the Converting Party), into common shares of the capital stock of CULP, at the conversion price of U.S.\$12.50 per common share. In the event that the common shares of the capital stock of CULP should be divided or consolidated at any time prior to the exercise of the said right of conversion, the conversion price for the purposes of this Section 3.3(ii) and Section 3.4 shall be adjusted accordingly. Upon such conversion, the portion of the Balance or remainder thereof owed to the Converting Party shall be reduced by an amount corresponding to the aggregate conversion price of the converted common shares. The Purchaser shall cause CULP to take all reasonable action to cause the delivery of the certificates representing the shares to be received by each Vendor upon any conversion made pursuant to this Section 3.3 (ii) or Section 3.4 at the earliest possible date but, in any event, no later than 14 days following the Date of Conversion, as defined in the Notes.

3.4 In the event that Robert G. Culp, III, Judith C. Walker, Harry R. Culp and Esther R. Culp, as a group, at any time cease to hold voting control of common shares of CULP which represent, in the aggregate, 15% or more of the outstanding common shares of CULP, the Purchaser shall give notice of such cessation to each of the vendors within ten (10) days

following the date on which such cessation occurs and each of the Vendors shall, in addition to the right to convert such portion of the Balance into common shares of CULP in accordance with the terms of the Notes, have the right, upon fifteen days' notice to the Purchaser, to demand payment of the entire portion of the Balance owed to it with interest accrued thereon to the date of payment, subject to the condition that, upon such cessation, if either of the Vendors shall within the first twelve (12) months following the Closing, pursuant to this Section 3.4, demand payment of the Balance or conversion of the Balance into common shares of the capital stock of CULP, each such Vendor shall deliver to the Purchaser a Bank Guarantee. Such Bank Guarantee shall be enforceable against the guarantor in respect of any and all claims of the Purchaser under Section 8 asserted within the period of twenty-four (24) months following the Closing which the Vendors and the Purchaser shall agree in writing to be payable by either of the Vendors or which shall be determined to be payable by an arbitration award pursuant to Section 8.10 with respect to any claim relating to a breach of any representation or warranty in Section 6 or a final judgment of a court in the case of any other claim.

- 3.5 In the event that, at any time within the first twelve (12) months after the first anniversary of the Closing, either of the Vendors shall demand payment of any part of the Balance which would result in the outstanding Balance being reduced to less than U.S. \$727,273 or shall demand conversion of any such part of the Balance into common shares of the capital stock of CULP as contemplated by Section 3.3 (ii), the Purchaser shall be entitled to exclude from such payment or conversion the last U.S. \$727,273 of the Balance, until each of the Vendors shall have delivered to the Purchaser a Bank Guarantee. Such Bank Guarantee shall be enforceable against the guarantor in respect of any and all claims of the Purchaser under Section 8 asserted within the period of twenty-four (24) months following the Closing which the Vendors and the Purchaser shall agree in writing to be payable by either of the Vendors or which shall be determined to be payable by an arbitration award pursuant to Section 8.10 with respect to any claim

relating to a breach of any representation or warranty in Section 6 or a final judgment of a court in the case of any other claim.

3.6 The Purchaser shall issue to each of the Vendors a convertible note for an amount equal to its respective portion of the Balance in the form and terms of the Note attached hereto as Exhibit 2.

4. ADJUSTMENT

KPMG Peat Marwick Thorne, Chartered Accountants, will prepare the Closing Balance Sheet within forty-five (45) days following Closing. The Purchase Price shall be adjusted on the date which is forty-five (45) days following Closing, as follows:

4.1 The Purchase Price shall be increased by the amount, if any, by which the Book Value of the Purchased Shares exceeds \$4,000,000; or

4.2 The Purchase Price shall be reduced by the amount, if any, by which \$4,000,000 exceeds the Book Value of the Purchased Shares.

Following such adjustment, the Notes delivered at Closing will be surrendered by Vendors and will be replaced without novation by new Notes reflecting the adjusted Balance.

5. SECURITY

5.1 As security for the repayment of the Balance and interest thereon, the Purchaser shall cause the Corporation to grant in favour of the Vendors, at Closing, the security described in Exhibit 3 attached hereto.

5.2 While any part of the Balance remains outstanding the Purchaser shall comply with, fulfill and respect each of the covenants set forth in Exhibit 3 attached hereto.

6. REPRESENTATIONS AND WARRANTIES OF THE VENDORS

The Vendors jointly represent and warrant to the Purchaser as follows:

6.1 Enforceability of the Agreement

- 6.1.1 The Vendors are the sole and absolute owners of the Purchased Shares in the proportion set out in Section 6.3 hereof, with good and marketable title thereto, free and clear of all Liens, with full power and authority to sell, assign and transfer the Purchased Shares as herein provided.
- 6.1.2 The Vendors have been duly authorized to execute and become party to this Agreement and to consummate the transactions herein provided.
- 6.1.3 Neither the entering into of this Agreement nor the consummation of any of the transactions contemplated hereby will
 - 6.1.3.1 result in the violation of (a) any of the terms or provisions of the respective constating documents or by-laws of the Vendors or of the Corporation or of any agreement, written or oral, to which either of the Vendors or the Corporation is a party; or (b) any law or regulation of any jurisdiction to which either of the Vendors or the Corporation is subject, or
 - 6.1.3.2 subject the Corporation to any penalty or liability.
- 6.1.4 The Vendors are not aware of any legal proceedings pending or threatened or of any circumstances which may reasonably be expected to give rise to such proceedings which in any way might interfere with the sale or delivery of the Purchased Shares or the consummation of any of the transactions herein contemplated.

6.1.5 Except as disclosed on the Disclosure Schedule, the Vendors are not required to give any notice to, make any filing with, or obtain any authorization, consent, permit or approval from, any Person, including without limitation, any government or governmental agency, in order for the parties to consummate the transactions contemplated by this Agreement.

6.2 Corporate Status

6.2.1 The Corporation

6.2.1.1 has been duly incorporated and organized and is validly subsisting and in good standing under the laws of the jurisdiction in which it was incorporated;

6.2.1.2 has the corporate power to own, lease, occupy or otherwise hold the properties and rights now owned, leased, occupied or otherwise held by it and to conduct the business now being conducted by it.

6.3 Capital Stock & Records

6.3.1 The authorized capital stock of the Corporation consists of an unlimited number of Class A and Class B common shares and Class C special shares of which 4900 Class A common, 5100 Class B common and 410 Class C special shares (and no more) are outstanding and each of such outstanding shares has been duly allotted and issued and is fully paid and non-assessable, and the paid-up capital for income tax purposes of each class of such shares is as shown in the Audited Financial Statements. The Purchased Shares are owned by the Vendors in the following proportions:

	Class A Common	Class B Common	Class C Special
MASGAN:	2450	2550	205
SALORNA:	2450	2550	205

- 6.3.2 No Person has any agreement or option or any right or privilege (whether by law or by contract) capable of becoming an agreement or option
- 6.3.2.1 to acquire any of the Purchased Shares ;
- 6.3.2.2 to subscribe for or otherwise acquire any of the unissued shares of the capital stock or any other securities of the Corporation.
- 6.3.3 The corporate records and minute books of the Corporation contain complete and accurate minutes of all meetings of the directors and shareholders of the Corporation held since the date of the incorporation of the Corporation, and all such meetings were duly called and held. The share certificate books, registers of shareholders, registers of transfers and registers of directors of the Corporation are complete and accurate.
- 6.3.4 Except as stated in the Disclosure Schedule the Corporation does not exist as a result or incident of any amalgamation or merger between the Corporation and any other Person or Persons or between other Persons pursuant to which the properties or rights of the Corporation became or remained subject to the rights of the creditors of such previously existing Person or Persons.
- 6.3.5 The Disclosure Schedule contains a complete list of all of the officers and directors of the Corporation as of the date hereof.

6.4 Business

- 6.4.1 The business of the Corporation is as described in the Disclosure Schedule; and save as stated in the Disclosure Schedule the Corporation has conducted its business substantially as so described continuously during the period of 10 years preceding the Audit Date and during said period the Corporation has not conducted any other business.
- 6.4.2 The respective locations or jurisdictions where the Corporation presently conducts and has, during the 10 years preceding the Audit Date, conducted its business are as set out in the Disclosure Schedule and, save as therein specified, the Corporation has not, during the said 10-year period, conducted business in any other location or jurisdiction.
- 6.4.3 The Corporation is, to Vendors' Best Knowledge, conducting its business in compliance with all applicable laws, rules and regulations of each jurisdiction in which such business is being carried on; is not in breach of any such laws, rules or regulations; is duly licenced, registered or qualified in each jurisdiction where the nature of its business would require it to be so licensed, registered or qualified or where it owns or leases property or conducts its business to enable such businesses to be conducted as now conducted, and its properties and assets to be owned, leased and operated, and all such licences, registrations and qualifications are valid, subsisting and in good standing, and none of the same contains any burdensome term, provision, condition or limitation which has or reasonably may be expected to have an adverse effect on the operation of any such business.
- 6.4.4 Except as set out in the Disclosure Schedule, the Corporation is not now conducting nor has it conducted its business under any name other than its corporate name.

6.5 Assets and Liabilities

6.5.1 The respective balance sheets included in the Audited Financial Statements and in the 1994 Audited Financial Statements fairly present or will present, as the case may be, the financial position of the Corporation as at the respective dates specified therein and the related statements of earnings, retained earnings and changes in financial position for each of the periods then ended fairly present or will present, as the case may be, the results of the operations and the changes in financial position for the periods then ended of the Corporation and have been prepared or will be prepared, as the case may be, in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods specified therein, except as specifically stated in such Audited Financial Statements or 1994 Audited Financial Statements. Since the Audit Date, there has been no material adverse change in the condition (financial or otherwise), liabilities, licences, permits, business (including relationships with suppliers, customers, and others), operations or prospects of the Corporation.

6.5.2 Except to the extent reflected or reserved against in the most recent balance sheet of the Corporation included in the Audited Financial Statements or as set out in the Disclosure Schedule, the Corporation did not have at the Audit Date and except as reflected on the Closing Balance Sheet, the Corporation will not have as of the Closing Date, any liabilities or obligations (except for liabilities and obligations which in the aggregate are immaterial) whether accrued, absolute, contingent or otherwise (including without limitation product liability as manufacturer, supplier or otherwise, warranty liability, liabilities as guarantor or otherwise with respect to obligations of others or lease liabilities or liabilities for Taxes and whether due or to become due.

- 6.5.3 The Corporation has or will have good and marketable title to all its properties and assets, including, without limitation, all those referred to in the most recent balance sheets included in the Audited Financial Statements, the 1994 Audited Financial Statements, and the Closing Balance Sheet, as of the respective dates thereof, (other than any thereof which have been disposed of in the ordinary course of business) free and clear of any Liens, except for Liens specifically referred to in the said balance sheets. All of the real and immovable properties and interests therein, including, without limitation, the immovable property owned by the Corporation and located at 680 boulevard Monseigneur Dubois in Ville Saint-Jerome, Quebec, reflected in any such balance sheet which are owned by the Corporation are described in the Disclosure Schedule. All properties, equipment and machinery and all other tangible personal property either owned or leased by the Corporation are in good operating condition and repair, except for normal wear and tear and normal usage and are in each case adequate for the conduct of the business of the Corporation in the ordinary course. The plans delivered to the Purchaser by the Vendors of the real or immovable property described in the Disclosure Schedule are complete and correct in all material respects. The Corporation has and will have valid leasehold interests in all the properties, equipment and machinery shown in the Disclosure Schedule or reflected in the Audited Financial Statements or to be reflected in the 1994 Audited Financial Statements as being leased by it, free and clear of any Liens. All such leases (complete and correct copies of which have been made available to the Purchaser) are valid, subsisting and effective in accordance with their respective terms and are in good standing, and no event or condition exists which constitutes or after notice or lapse of time or both would constitute a default thereunder.
- 6.5.4 The Corporation does not own or possess any property right or other asset which is not so owned or possessed solely for the

purpose of conducting its business as such business is now being conducted.

6.5.5 Except as set out in the Disclosure Schedule, there is not

6.5.5.1 any suit, action or other proceeding or governmental investigation pending or threatened against the Corporation in or before or by any court, board or administrative or other tribunal;

6.5.5.2 any order, decree, injunction or judgment of any court, administrative agency or board or administrative or other tribunal against or affecting the Corporation;

6.5.5.3 any legal impediment to the continued operation in the ordinary course of the properties and business of the Corporation; or

6.5.5.4 to the Vendors' Best Knowledge, any violation by the Corporation of any law, directive, or legislation.

6.5.6 Except as set out in the Disclosure Schedule, the Corporation does not hold any loan or advance due by, or any stock, obligation or securities of, or any other interest in, any Person.

6.6 Conduct of Business

6.6.1 Except as set out in the Disclosure Schedule, the business of the Corporation has been conducted since the Audit Date in the ordinary course, and since the Audit Date the Corporation has not entered into any transaction other than in the ordinary course of its business and, in particular, without limiting the generality of the foregoing, the Corporation has not since the Audit Date

- 6.6.1.1 purchased or redeemed directly or indirectly any shares of the capital stock of the Corporation;
- 6.6.1.2 issued or sold or agreed to issue or sell any shares of the capital stock of the Corporation or any option, warrant, conversion or other right to acquire any such share or any securities convertible into or exchangeable for such shares, or amended its charter or bylaws;
- 6.6.1.3 declared or paid any dividend or declared or made any other distribution on any of the shares of any class of its capital stock or on any other of its securities;
- 6.6.1.4 acquired or sold, assigned, transferred, licenced, terminated, leased or disposed of any Proprietary Intangibles;
- 6.6.1.5 suffered or incurred any damage, destruction, loss or liability (whether or not covered by any insurance), any strike or other labour trouble, or any loss of employees or customers that, either by itself or in the aggregate has affected adversely or may reasonably be expected to affect adversely, to a material extent, the Corporation or the business of the Corporation;
- 6.6.1.6 made or authorized any payment to an officer, director, former director, shareholder, employee or Affiliate of the Corporation, otherwise than at the regular rates payable to them, by way of, salary, pension, bonus, rent or other remuneration;
- 6.6.1.7 authorized or made any capital expenditure other than expenditures which in the aggregate do not exceed \$1,700,000.

6.6.1.8 incurred any indebtedness or extended any credit, except in the ordinary course of business;

6.6.1.9 agreed to take any of the actions described in Sections 6.6.1.1 through 6.6.1.8.

6.7 Contracts

6.7.1 Except as set out in the Disclosure Schedule, the Corporation is not a party to any contract, guarantee or agreement either written or oral, express or implied, or arising solely by operation of law (referred to for the purposes of this Section 6.7 as the "Contracts"), involving a commitment, whether contingent or otherwise, by the Corporation or by any other Person, in excess of \$25,000 in the case of contracts, guarantees and agreements other than purchase orders of the Corporation for raw materials and sales orders received from customers or in excess of \$100,000 in the case of purchase orders of the Corporation for raw materials and sales orders received from customers, other than any contract or agreement which is terminable at the option of the Corporation without penalty upon not more than ninety (90) days' notice.

6.7.2 Each of the Corporation's Contracts has been duly authorized and executed by or on behalf of the respective parties thereto, is a valid and binding obligation of each of such parties, enforceable against such parties in accordance with its terms, except as such enforceability thereof may be limited by bankruptcy, insolvency, reorganization, or other similar laws of general application.

6.7.3 Neither the Corporation nor any other party to any of the Contracts is in default or in breach of any such contract or agreement, nor does there exist any state of facts which, after notice or lapse of time or both, would constitute such a breach

or default, except breaches or defaults which in the aggregate in respect of any such contract or agreement are immaterial, and neither the execution of this Agreement by the parties hereto nor the implementation of any of the provisions of this Agreement will constitute a default or breach of any such contract or agreement.

- 6.7.4 Except as set out in the Disclosure Schedule, the Corporation does not, pursuant to any contract, agreement, franchise, licence, or permit hold, possess, use or have access to, or have the right to hold, possess, use or have access to, any property or right of any nature belonging to any other Person which is necessary, desirable or useful in the conduct of the business of the Corporation as such business is being customarily conducted, other than any such property or right for which an alternative or substitute property or right is reasonably expected to be available to the Corporation upon the termination of any such contract, agreement, franchise, licence or permit on terms and conditions substantially equivalent or more favourable to the Corporation.
- 6.7.5 Except as set out in the Disclosure Schedule, the Corporation is not bound by any contract or agreement purporting to constrain or limit the Corporation or in the conduct of its business and affairs including, without limitation, any agreement concerning confidentiality or non-competition.
- 6.7.6 The Disclosure Schedule sets out all grants, subventions and other benefits to which the Corporation is now or in the future may become entitled to receive from any government or municipality or from any department, board or other instrumentality thereof, other than any such grants, subventions or other benefits which accrue or become available by operation of the law generally to Persons conducting businesses similar to those being conducted by the Corporation, and the Corporation is not in default to comply with the terms

and conditions upon which it is or may become entitled to receive any such grant, subvention or other benefit, except as set out in the Disclosure Schedule.

6.7.7 Except as set out in the Disclosure Schedule, the Corporation is not a party to or bound by (i) any collective bargaining agreement or any other agreement with any union of employees, (ii) any agreement for the benefit of or with its employees, directors, officers or shareholders, or (iii) any trust fund, arrangement or any pension, bonus, profit sharing, compensation, retirement, deferred compensation, illness or other plan, for the benefit of or with its employees, directors, officers or shareholders. There are no unfunded liabilities of the Corporation in respect of any agreement or plan, including without limitation the plans referred to in the Disclosure Schedule, established for the benefit of its employees, directors or officers.

6.8 Insurance

6.8.1 The Corporation, the business of the Corporation and the Corporation's properties are insured with financially sound and reputable insurers against claims, losses and damages from all such liabilities, hazards and risks, to such extent and in such amounts and with such deductible amounts therefrom as is customary for Persons operating like businesses and owning like properties, all as provided for in and by the policies and contracts of insurance described in the Disclosure Schedule (which describes types of coverage, amount and policy numbers).

6.8.2 All such policies and contracts of insurance are in full force and effect, and the Corporation is in good standing with respect to each such policy or contract.

6.9 Taxes

6.9.1 The Corporation has duly and timely filed all tax returns required to be filed by it and has paid all Taxes which are due and payable on or prior to the date hereof; adequate provision has been made in the Audited Financial Statements and will be made in the 1994 Audited Financial Statements for all such Taxes payable for the current year for which tax returns are not yet required to be filed; there are no agreements, waivers, or other arrangements providing for an extension of time with respect to the filing of any tax return or the payment of any Taxes by the Corporation; there are no actions, suits, proceedings, investigations or claims, threatened or pending against the Corporation in respect of Taxes, nor are there any matters under discussion with any governmental or municipal authority relating to Taxes asserted by any such authority; the Corporation has been assessed by all federal and provincial tax authorities having jurisdiction up to and including the year 1993.

6.9.2 The Corporation has withheld from each payment made to any of its officers, directors, employees, shareholders or creditors, all amounts which it is required by the laws to which it is subject to withhold or deduct and has duly remitted all amounts so withheld or deducted to the proper recipients thereof within the delays and in the manner required by such laws.

6.10 Patents, Trade Marks and Copyright

6.10.1 The Corporation owns free and clear of any Liens or is licenced or otherwise has the right to use in the manner that the same is now being used each of the Proprietary Intangibles presently used in the business of the Corporation, all of which are as set out in the Disclosure Schedule, and the Corporation has not

granted any licence, permit or right to use such Proprietary Intangibles nor any of them.

6.10.2 No Person has made or threatened to make a claim to the right to use any of such Proprietary Intangibles or to deny to the Corporation the right to use the same, except as set forth in the Disclosure Schedule.

6.10.3 No other Proprietary Intangibles are owned by the Corporation or are used or required to be used in the business of the Corporation.

6.11 Environmental Matters

6.11.1 In this Section 6.11, the following terms shall have the following meanings respectively:

"Environment" refers, but is not limited to every layer of the earth including the air and the atmosphere, land (including the soil surface, subsurface and all underground areas, including those submerged by water) and water (including all surface water, subsurface water and groundwater), all organic and inorganic and all animate and inanimate matter;

"Environmental Approval" means any permit, licence, certificate of authorization, authorization, approval, attestation, consent or other instrument or document, including, without limitation, those of an administrative nature, required pursuant to the Environmental Laws;

"Environmental Conditions" refers to any contamination or damage to the Environment, including any contamination or damage caused by or relating to the generation, production, use, handling, storage, treatment, transportation, disposal, elimination, recycling, reuse, valorization, release, spilling, leaking, pumping, pouring, emitting, emptying, discharging,

ejecting, escaping, leaching, disposing, seeping, draining, dumping, migrating or threatened release of Hazardous Materials by the Corporation or its predecessors in interest, including, without limitation, any soil or groundwater contamination existing on any Facility which exceeds the A criteria of the Politique de rehabilitation des terrains contamines of the Quebec Government; with respect to claims or potential claims by employees, "Environmental Conditions" also includes the exposure of persons to Hazardous Materials at a workplace of the Corporation;

"Environmental Laws" means any federal, provincial or municipal law, by-law, regulation, rule, policy, directive, protocol, order, decree or code, including the provisions of any Environmental Approval, which applies to any Facility, the Corporation and its operations, and which concerns, in whole or in part, directly or indirectly, the protection or maintenance of the quality of the Environment or the health and safety of the public and of employees;

"Environmental Noncompliance" means any violation of any Environmental Law or any Environmental Approval;

"Facilities" means any facility, land, property or location owned, leased, operated or used or previously owned, leased, operated or used by the Corporation or its predecessors in interest, and

"Hazardous Materials" means any substance, constituent, contaminant, waste, waste material

(i) that is likely, immediately or at some future time, to alter or cause harm or damage or other impairment to the Environment or to endanger or diminish human life, safety, well-being or comfort; or

(ii) that is deemed or presumed, in accordance with any Environmental Law, to be potentially toxic or hazardous.

6.11.2 Except as set forth in the Disclosure Schedule,

6.11.2.1 there are no investigations, inquiries, administrative proceedings, remedial orders, actions, suits, claims, legal proceedings or any other proceeding pending or threatened against the Corporation which involve, or relate to, Environmental Conditions, Environmental Noncompliance or the release, use or disposal of any Hazardous Materials at any Facility;

6.11.2.2 to the Vendors' Best Knowledge, there are no conditions, activities, procedures or other facts or circumstances at any Facility which constitute or could be reasonably expected to constitute in the future an Environmental Noncompliance or an Environmental Condition;

6.11.2.3 to the Vendors' Best Knowledge, the Corporation has all Environmental Approvals that are required in order to carry on its operations and activities and said Environmental Approvals are in full force and effect; the Corporation is in compliance with all said Environmental Approvals;

6.11.2.4 to the Vendors' Best Knowledge there is no friable asbestos or urea formaldehyde in any walls, roofing or plumbing in any of the Facilities;

6.11.2.5 other than the transformers currently in use or held as spares, to the Vendors' Best Knowledge the Corporation does not use or store any

polychlorinated biphenyls ("PCBs") in a manner which constitutes an Environment Noncompliance;

- 6.11.2.6 to the Vendors' Best Knowledge, there are no and have not been any processes, operations, equipment or any other activity at or on any Facility or in the course of transportation from or to any Facility which currently result or have in the past resulted in the release or threatened release of Hazardous Materials into the Environment, or which otherwise contribute or contributed to Environmental Conditions or constitutes or constituted an Environmental Noncompliance;
- 6.11.2.7 there are no underground storage tanks, or underground piping associated with tanks, used for the containment or management of Hazardous Materials at any Facility which do not have a full secondary containment system in place, and there are no abandoned underground storage tanks at any Facility which have not been either abandoned in place or removed pursuant to an Environmental Approval in accordance with Environmental Laws;
- 6.11.2.8 to the Vendors' Best Knowledge, none of the Facilities has ever been used as a waste disposal, waste storage or landfill site;
- 6.11.2.9 to the Vendors' Best Knowledge, the Corporation has complied with all contracts, agreements or understandings entered into with the government authorities relating to environmental matters; and
- 6.11.2.10 all engineering and environmental data and studies with respect to the Corporation or the Facilities which have been prepared in the last five years and

which are in the possession of the Vendor have been delivered to the Purchaser.

6.12 Labour Relations

Without restricting the provisions of Section 6.7.7 and except as set out in the Disclosure Schedule:

- 6.12.1 there is no collective agreement governing the labour relations of the Corporation and its employees, and no union has been certified in respect thereof, nor is any proceeding in process for obtaining a union certification or the conclusion of a collective agreement with respect to such employees;
- 6.12.2 the Corporation has observed in all respects the provisions of all applicable laws and regulations respecting employment, including, but not limited to, labour standards legislation and regulations and legislation and regulations prohibiting discrimination, and there is no complaint, civil action or other proceeding in process alleging a violation of any such law or regulation; and
- 6.12.3 the Corporation has not received any remedial order or notice of offence under (a) the Act Respecting Occupational Health and Safety (Quebec) R.S.Q., c. S-2.1, (b) the Workmen Compensation Act (Quebec) R.S.Q., c. A-3 or (c) the Act Respecting Industrial Accidents and Occupational Diseases (Quebec) R.S.Q., c. A-3.001, or under equivalent statutes or regulations in other jurisdictions, except in respect of matters which have been settled or remedied since the issuance of such order or notice, and the Corporation has performed all its financial or monetary obligations under such statutes or regulations towards its employees and towards the Commission or equivalent body having jurisdiction in respect thereof, and, to the knowledge of either of the Vendors, there are no facts which may give rise to a claim for which the Corporation might

be held liable under the provisions of the said statutes or regulations.

6.13 Bank Accounts, Etc.

The Disclosure Schedule sets out the name of

6.13.1 each bank, trust company or other Person with which the Corporation has an account or safekeeping arrangement or safety deposit box and the names of each Person authorized to operate or have access to such account, arrangement or box on behalf of the Corporation; and

6.13.2 each Person holding a general or special power of attorney from the Corporation with a summary of the terms thereof.

6.14 Conflicting Interests

Neither the Vendors nor any Affiliate of either of the Vendors or of the Corporation, nor any officer, director, or shareholder of either of the Vendors or of any such Affiliate or of the Corporation, nor any member of their respective families owns, or during the last 3 years has owned, directly or indirectly, or has or during the last 3 years has had a substantial ownership interest in any business, corporate or otherwise, which is a party to, or in any property which is the subject of, business arrangements with the Corporation or which is competitive with any business or property of the Corporation.

6.15 No Finder's or Broker's Fee

No Person other than Werner Management Consultants Inc. and/or Martin Rubenstein has, or as a result of any of the transactions contemplated hereby will have, as a result of any commitment of either of the Vendors or of the Corporation towards such Person, any right, interest or valid claim against or upon the Purchaser or the Corporation or any of their respective properties for any commission,

fee, or other compensation as broker or finder or for services in any similar capacity. At or prior to the Closing, the Vendors and/or the Corporation will pay, to the complete exoneration of the Purchaser and the Corporation, any and all commissions, fees and other compensation due to the said Werner Management Consultants Inc. and/or Martin Rubenstein and will indemnify the Purchaser and hold the Purchaser harmless against and from any and all claims, demands, losses, suits, costs and expenses suffered or incurred by the Purchaser in respect thereof.

6.16 Vendors' Residence

Neither of the Vendors is a non-resident within the meaning of that term as used in the Income Tax Act of Canada.

6.17 Full Disclosure

6.17.1 The Vendors, by their respective duly appointed officers, have made or caused to be made due enquiry with respect to each of the representations, warranties, and statements contained in this Agreement and in each of the schedules, certificates, documents and other writings referred to herein or furnished to the Purchaser hereunder, and none of the same contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein and therein not misleading.

6.17.2 Except as set out herein or in the Disclosure Schedule, there is no fact or circumstance presently known to the Vendors which materially adversely or in the future may (so far as the Vendors can now reasonably foresee) materially adversely affect the condition (financial or otherwise), property, assets, liabilities, business, operations, or prospects of the Corporation or the ability of the Vendors to perform their obligations hereunder.

6.18 Investment

- 6.18.1 Each of Vendors understands that the Notes (and any underlying shares of Culp common stock) have not been, and will not be, registered under the Securities Act, or under the securities laws of any state of the United States or any province of Canada, and are being offered and sold in reliance upon U.S. federal, state and provincial exemptions for transactions not involving any public offering.
- 6.18.2 Each of the Vendors is acquiring the Notes (and any underlying shares of Culp common stock) solely for its own account for investment purposes, and not with a view to the distribution thereof.
- 6.18.3 Each of Vendors is a sophisticated investor with knowledge and experience in business and financial matters and has received certain information concerning the Purchaser and Culp and has had the opportunity to obtain additional information as desired in order to evaluate the merits and the risks inherent in holding the Notes (and any underlying shares of Culp common stock).
- 6.18.4 Each of the Vendors is able to bear the economic risk and lack of liquidity inherent in holding the Notes (and any underlying shares of Culp common stock), and is an accredited investor within the meaning of Rule 501(a) of the Regulation D promulgated under the Securities Act.

7. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendors as follows:

7.1 Enforceability of the Agreement

The Purchaser has full power and authority to purchase and acquire the Purchased Shares as herein provided and has been duly authorized to execute and become a party to this Agreement and to consummate the transactions herein provided.

7.2 No Violation

Neither the entering into of this Agreement nor the consummation of any of the transactions contemplated hereby will result in the violation of any of the terms or provisions of the constating documents or by-laws of the Purchaser or of any agreement, written or oral, to which the Purchaser is a party or any law or regulation of any jurisdiction to which the Purchaser is subject.

7.3 No Legal Proceedings

The Purchaser is not aware of any legal proceedings pending or threatened or of any circumstances which may reasonably be expected to give rise to such proceedings which in any way might interfere with the purchase of or payment for the Purchased Shares or the consummation of any of the transactions herein contemplated.

7.4 No Finder's Fee

No Person has, or as a result of any of the transactions contemplated hereby will have, by reason of any commitment of the Purchaser towards such Person, any right, interest, or valid claim against or upon the Vendors or any property of the Vendors for any commission, fee, or other compensation as broker or finder or for services in any similar capacity.

7.5 Purchaser's Residence

The Purchaser is resident in Canada but is an American as defined in and for the purposes of the Investment Canada Act.

8. SURVIVAL AND RELIANCE ON REPRESENTATIONS AND WARRANTIES AND INDEMNIFICATION

8.1 Survival Notwithstanding Investigation

Notwithstanding any investigation conducted before or after the Closing Date and notwithstanding any actual or implied knowledge or notice of any fact or circumstance which any Person may have as a result of such investigation or otherwise, the parties hereto shall be entitled to rely upon the representations and warranties set forth herein and the obligations of the parties hereto with respect thereto shall survive the Closing Date and shall continue in full force and effect in accordance with the terms of this Section 8.

8.2 Indemnification by Vendors

The Vendors shall be liable jointly to the Purchaser and to the Corporation and shall jointly defend, indemnify and hold harmless the Purchaser and the Corporation against any and all loss, liability or expense, excluding indirect or consequential damages, arising directly or indirectly out of

8.2.1 the breach of any agreement, covenant, representation or warranty of the Vendors contained in this Agreement or in any document required to be furnished by the Vendors to the Purchaser hereunder and

8.2.2 the non-fulfillment of any agreement, covenant or obligation of either of the Vendors contained in this Agreement or in any other agreement or contract required to be entered into by

either of the Vendors pursuant hereto to the extent not waived in writing by the Purchaser.

8.3 Indemnification by Purchaser

The Purchaser shall be liable to the Vendors and shall defend, indemnify and hold harmless the Vendors against any and all loss, liability or expense, excluding indirect or consequential damages, arising directly or indirectly out of

8.3.1 the breach of any agreement, covenant, representation or warranty by the Purchaser contained in this Agreement or in any document required to be furnished by the Purchaser to the Vendors hereunder and

8.3.2 the non-fulfillment of any agreement, covenant or obligation of the Purchaser contained in this Agreement or in any contract or agreement required to be entered into by the Purchaser pursuant hereto, to the extent not waived in writing by the Vendors.

8.4 Indemnification against Third Party Claims

8.4.1 Promptly upon receipt by either the Purchaser, either of the Vendors or the Corporation (herein referred to as the "Indemnitee") of notice of any Third Party Claim in respect of which Indemnitee proposes to demand indemnification from a party to this Agreement (the "Indemnitor"), the Indemnitee shall give notice to that effect to the Indemnitor with reasonable promptness; provided, however, that failure to give or delay in giving such notice shall not relieve the Indemnitor of its obligations hereunder except and solely to the extent of any prejudice caused to the Indemnitor by such failure or delay.

8.4.2 The Indemnitor shall, in the event of a Third Party Claim in relation to Taxes, immediately pay all such Taxes, subject to

the Indemnitor's right to reimbursement, in whole or in part, if the final decision rendered in respect of such Third Party Claim rejects same, in whole or in part.

8.4.3 The Indemnitor shall have the right by notice to the Indemnitee not later than 30 days after receipt of the notice described in Section 8.4.1 to assume the control of the defence, compromise or settlement of the Third Party Claim, provided that

8.4.3.1 such assumption shall, by its terms, be without cost to the Indemnitee; and

8.4.3.2 the Indemnitor shall at the Indemnitee's request furnish it with reasonable security against any costs or other liabilities to which it may be or become exposed by reason of such defence, compromise or settlement.

8.4.4 Upon the assumption of control by the Indemnitor as aforesaid, the Indemnitor shall, at its expense, diligently proceed with the defence, compromise or settlement of the Third Party Claim at Indemnitor's sole expense, including employment of counsel reasonably satisfactory to the Indemnitee and, in connection therewith, the Indemnitee shall co-operate fully, but at the expense of the Indemnitor, to make available to the Indemnitor all pertinent information and witnesses under the Indemnitee's control, make such assignments and take such other steps as in the opinion of counsel for the Indemnitor are necessary to enable the Indemnitor to conduct such defence, provided always that the Indemnitee shall be entitled to reasonable security from the Indemnitor for any expense, costs or other liabilities to which it may be or may become exposed by reason of such co-operation.

8.4.5 The final determination of any such Third Party Claim, including all related costs and expenses, will be binding and conclusive upon the parties hereto and the Corporation as to the validity or invalidity, as the case may be, of such Third Party Claim against the Indemnitor hereunder.

8.4.6 Should the Indemnitor fail to give notice to the Indemnitee as provided in Section 8.4.3, the Indemnitee shall be entitled to make such settlement of the Third Party Claim as in its sole discretion may appear advisable, and such settlement or any other final determination of the Third Party Claim shall be binding upon the Indemnitor.

8.5 Indemnification to be After Tax, Insurance, Etc.

The amount of the indemnification for any loss, liability or expense which the Vendors, Purchaser or the Corporation shall be entitled to receive from any party hereto pursuant to this Agreement shall be payable on demand and shall be determined after giving effect to any insurance recoveries, tax savings and recoveries from third parties other than the Corporation.

8.6 Expiry of Liability

8.6.1 The agreements, covenants, representations and warranties of the Vendors and the Purchaser herein, other than those of the Vendors relating to any liability of the Purchaser or of the Corporation for the payment of any Taxes and those of the Vendors in Section 6.11, shall terminate upon the expiry of the period of two (2) years following the Closing Date, except to the extent that, during such period, the Purchaser or the Corporation shall have given notice to the Vendors of a claim in respect of any such agreement, covenant, representation or warranty, including reasonable description of the claim and the basis therefor, in which case such agreement, covenant,

representation and warranty shall continue in full force and effect until the final determination of such claim.

8.6.2 The agreements, covenants, representations and warranties herein of each of the Vendors relating to any liability of the Purchaser or of the Corporation for the payment of Taxes arising out of this Agreement, arising from the business and assets of the Corporation as conducted or held up to and including the Closing Date, or arising from any of the transactions contemplated by this Agreement, shall terminate upon the expiry of the limitation or prescription period under the relevant taxing statutes, but the Purchaser covenants that, from and after the Closing Date, it will exercise all reasonable efforts to ensure that neither it nor the Corporation, without prior notice to the Vendors, enters into any agreement, waiver or other arrangement which provides for an extension of time with respect to the filing of any tax return or the payment or assessment of any Taxes dealt with by any such agreement, covenant, representation or warranty.

8.6.3 The representations and warranties of each of the Vendors contained in Section 6.11 shall survive the Closing indefinitely.

8.7 De Minimis. The Vendors and the Purchaser each agree that they shall not assert against the other and the Purchaser shall not assert against the Balance or any Bank Guarantee delivered to the Purchaser pursuant to Sections 3.4 or 3.5 any claim or claims under this Section 8 and the Indemnitor shall not be obliged to indemnify the Indemnitee in respect of any such claim or claims unless and until the aggregate amount of the claim or claims reported to the other to that date, including the claim or claims then being reported, is in excess of \$75,000.

8.8 Limitation of Liability. The liability of each of the Vendors as an Indemnitor in respect of any claim or claims of the Purchaser as an Indemnitee for indemnification under this Section 8 is limited to an

aggregate amount of Five Million Dollars (\$5,000,000) and the liability of the Purchaser in respect of any such claim or claims of the Vendors is limited to an aggregate of Ten Million Dollars (\$10,000,000).

8.9 Set-Off. Except when a Purchaser's Default has occurred and has not, except in the case of default of the Purchaser to deliver certificates for shares of CULP within the delays stipulated in Sections 3.3 and 3.4 which shall require no notice, been rectified by the Purchaser within ten (10) days following notice thereof given by the Vendors to the Purchaser, the Purchaser shall be entitled to set off and claim against (i) the Balance or (ii) any portion of the Balance or any Bank Guarantee delivered to the Purchaser pursuant to Sections 3.4 or 3.5 any amount of indemnification due by the Vendors to the Purchaser under this Section 8, subject to the provisions of Sections 3.4 and 3.5 with respect to the enforceability of the Bank Guarantee.

8.10 Arbitration.

8.10.1 All disputes with respect to claims for indemnification pursuant to this Section 8 arising from an alleged breach of any representation or warranty made in Section 6 or Section 7 shall be decided by a single arbitrator (selected as described below) in the City of Montreal, Quebec in accordance with the rules of Book VII of the Code of Civil Procedure of the Province of Quebec (except to the extent modified in this Section 8.10) unless the parties mutually agree in writing to the contrary. The arbitrator will be one of the three persons designated on the List of Arbitrators (the "Arbitrator List" to be delivered at closing in accordance with Sections 9.10 and 10.2 . The arbitrator shall be selected from the Arbitrator List in the order of preference established thereby, on the basis of the availability of the person whose name is listed. For greater clarity, if the first person named on the Arbitrator List is unavailable, the second person named will be selected and if the second person named is unavailable, the third party will be selected. The selection process will be

carried out jointly by the Vendors and the Purchaser within five (5) business days of the date of the Notice provided for in Section 8.10.2.

8.10.2 Notice of the demand for arbitration (the "Notice") by either party hereto (the party making a demand for arbitration shall be referred to herein as the "Notifying Party") shall be made in writing to the other party to this Agreement (the party receiving a demand for arbitration from a Notifying Party shall be referred to herein as the "Notified Party"). The Notice shall be accompanied, if desired, by the Notifying Party's written request for the Notified Party's production of documents related to the subject matter of the demanded arbitration. The Notified Party shall within five (5) business days of its receipt of the Notice deliver to the Notifying party all documents reasonably requested by the Notifying Party. Within five (5) days after its receipt of the Notice, the Notified Party shall deliver to the Notifying Party, if desired, its written request for the Notifying Party to produce documents related to the subject matter of the demanded arbitration. The Notifying Party shall have five (5) business days following its receipt of such written request from the Notified Party to produce all reasonably requested documents. The period between the date of delivery of the Notice and the expiration of the fifth (5th) business day following the Notifying Party's receipt of the Notified Party's request for production of documents shall be referred to herein as the "Discovery Period". Anything herein to the contrary notwithstanding, a party shall not be required to disclose documents protected by the attorney-client privilege. The parties shall not be entitled to conduct any discovery other than that provided for herein, i.e. the parties shall not be entitled to request or take depositions or submit written interrogatories or perform any other discovery. All meetings and discussions between the Vendors, or either of them, and the Purchaser, or their representatives, held for purposes of

resolving disputes shall be considered settlement discussions and any statements made by the Vendors, the Purchaser or any of their respective representatives, at or in connection with such meetings or discussions, may not be used or referred to in any way in any subsequent proceeding.

- 8.10.3 Within five (5) business days after the expiration of the Discovery Period, the arbitrator shall set a time and date for a prehearing conference between the arbitrator and the parties to the arbitration, which such prehearing conference shall be held within fifteen (15) days of the expiration of the Discovery Period. At the prehearing conference, the arbitrator shall resolve all disputes between the parties with respect to permitted document production requests and shall set a date for convening the parties to the arbitration within ten (10) days of the prehearing conference.
- 8.10.4 The arbitration shall be completed within three (3) consecutive business days. The Notifying Party shall have the first day to present its position and the Notified Party shall have the next one and one-half (1 1/2) successive business days to present its position. The Notifying Party shall then have one-half of one business day to rebut the position of the Notified Party. The amount of time spent by a party cross-examining the witnesses presented by the other party shall be deducted from the time allotted to the party conducting the cross-examination for the presentation of its position or from its rebuttal of the other party's position. The arbitrator shall render a decision within fourteen (14) days following the completion of the arbitration. The award rendered by the arbitrator shall be final and binding upon the parties. The arbitrator shall have the power to award attorneys' fees to either party in accordance with the terms of this Agreement. Interest shall accrue on the award from the date of the award to the date of payment at the then current prime rate of The

Toronto Dominion Bank as such may be amended from time to time.

8.10.5 The expense of any such arbitration (including attorneys' fees incurred in the arbitration process by the participating parties) (a) shall be borne by the party seeking indemnification in the proportion that the aggregate dollar amount of the disputed items submitted to the arbitration by the party seeking indemnification that are unsuccessfully disputed by such party bears to the aggregate dollar amount of such items submitted to the arbitration by such party and (b) shall be borne by the Indemnifying Party in the proportion that the aggregate dollar amount of the disputed items submitted to the arbitration by the party seeking indemnification that are successfully disputed by such party bears to the aggregate dollar amount of such items submitted to the arbitration by such party.

8.11 Nonexclusivity of Remedy; Waiver of Certain Rights

Except for those provisions requiring arbitration pursuant to Section 8.10 with respect to an alleged breach of a warranty or representation in Sections 6 or 7 for which arbitration pursuant to Section 8.10 shall be the exclusive remedy, the indemnification provisions of Section 8 are in addition to, and not in derogation of, any statutory, equitable, or civil or common law remedy (including, without limitation, any remedy described in Section 13.2) any party may have for any and all breaches or failures of representations, warranties, covenants, contracts and agreements made in or pursuant to this Agreement or with respect to the transactions contemplated hereby.

9. COVENANTS OF THE VENDORS

The Vendors covenant and agree with the Purchaser as follows:

9.1 Best Efforts to Maintain and Preserve

The Vendors will exercise their best efforts with due diligence to ensure that, from the date hereof until the Closing Date,

9.1.1 the business of the Corporation will be conducted, except as otherwise herein provided or approved in writing by the Purchaser, only in the ordinary course in substantially the same manner as heretofore and in such manner that each of the representations and warranties made by the Vendors herein as of the date hereof will, on the Closing Date, be true and correct;

9.1.2 the business organization of the Corporation will be maintained intact, the services of its competent officers and employees will be retained, and its relationships with and the goodwill of its customers, suppliers and others having business relations with it will be preserved, the whole so as to maintain the goodwill and on-going business of the Corporation.

9.2 Notice of Cessation in Ordinary Course

The Vendors will promptly notify the Purchaser of the happening or existence or apprehended happening or existence of any event or circumstance on or prior to the Closing Date by reason of which the business of the Corporation has ceased or may cease to be conducted in the ordinary course as heretofore or by reason of which the representations and warranties made by the Vendors herein may cease to be true and correct.

9.3 Access for Purchaser

The Vendors will cause the Corporation to permit the Purchaser by its duly appointed officers, employees and representatives at any time and from time to time prior to the Closing Date, during reasonable business hours, to make such investigation of the business, properties and rights

of the Corporation and of its financial and legal condition as the Purchaser may deem necessary or advisable in order to become familiar with such business, properties and assets and other matters including, without limitation, full access to all premises at which any business is carried on by the Corporation; and produce or cause to be produced for inspection by the Purchaser, its officers, employees and representatives, all leases, licences, contracts, title documents, insurance policies, pension plans, guarantees, lists of salaries (management and others), management contracts, documents relating to pending lawsuits, title deeds and share certificate books, share registers, constating documents of the Corporation and all other corporate documents, and all books, records, accounts and other statements, and all other data which in the opinion of the Purchaser or its said officers, employees or representatives are required to make an examination of the Corporation and its business, properties and rights.

9.4 Maintain Insurance

The Vendors will cause the Corporation to continue to maintain in full force and effect all policies of insurance now in effect or duly renew the same upon substantially the same terms and conditions.

9.5 Corporate Proceedings for Transfer

The Vendors will cause the Corporation to take all necessary steps and proceedings as may be considered appropriate by counsel for the Purchaser in order that the Purchased Shares may be duly and regularly transferred to the Purchaser as of the Closing Date.

9.6 Replacement of Officers and Directors

The Vendors will cause such directors and officers of the Corporation to be replaced at or prior to the Closing Date by such nominees as the Purchaser may notify to the Vendors not less than 3 days prior to the Closing Date.

9.7 Further Assurances

The Vendors, upon the request of the Purchaser, whether before or after the Closing, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable in the opinion of counsel to the Purchaser to effect complete consummation of the transactions contemplated by this Agreement.

9.8 Exclusivity

Neither of the Vendors will (and will not cause or permit the Corporation to) (i) solicit, initiate, or encourage the submission of any proposal or offer from any Person (other than the Purchaser) relating to the acquisition of any capital stock or other voting securities, or any substantial portion of the assets of, the Corporation (including any acquisition structured as a merger, consolidation, or share exchange) or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. The Vendors will not vote the Purchased Shares in favor of any such acquisition (including any merger, consolidation, or share exchange). The Vendors will notify the Purchaser immediately if any Person makes any proposal, offer, inquiry, or contact with respect to any of the foregoing.

9.9 1994 Audited Financing Statements

The Vendors will cause Price Waterhouse, Chartered Accountants, to prepare and deliver to the Corporation prior to February 15, 1995 the audited financial statements of the Corporation for the year ended December 31, 1994. The Purchaser's designated accountant shall have the right to attend the inventory count carried out in connection with the preparation of such audited financial statements for the year ended December 31, 1994 by Price Waterhouse, Chartered Accountants and

the Vendors will give timely notice of the date and time of such count to the Purchaser to permit the attendance of such designated accountant.

9.10 List of Arbitrators

The Vendors shall agree with the Purchaser and initialled a List of Arbitrators for the purposes of any required arbitration in accordance with Section 8.10.

10. COVENANTS OF THE PURCHASER

The Purchaser covenants with the Vendors as follows:

10.1 Discharge of Toronto Dominion Bank Security

The Purchaser concurrently with the Closing will pay to the Toronto Dominion Bank (the "Bank") all amounts owing by the Corporation to the Bank at Closing and discharge all security held by the Bank in respect of such amounts.

10.2 List of Arbitrators

The Purchaser shall agree with the Vendors and initial a List of Arbitrators for the purposes of any required arbitration in accordance with Section 8.10.

10.3 Investment Canada Act

The Purchaser will in accordance with the Investment Canada Act, give notice of its acquisition of the Purchased Shares following the Closing and will indemnify the Vendors against and hold them harmless from any and all liability which they may suffer or incur under the Investment Canada Act by reason of the failure of the Purchaser to fulfill any of its obligations under that Act.

11. CONDITIONS OF CLOSING

11.1 Conditions for the Benefit of the Purchaser

The purchase and sale of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of the Purchaser to be fulfilled and performed on or prior to the Closing Date:

11.1.1 Representations and Warranties Remain Correct

Each of the representations and warranties of the Vendors contained in this Agreement or in any certificate or other document delivered to the Purchaser pursuant hereto shall be true and correct on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date and the Purchaser shall have received on the Closing Date a certificate dated the Closing Date, in form satisfactory to counsel for the Purchaser, signed by duly authorized officers of both Vendors to the effect that such representations and warranties referred to above are true and correct on and as of the Closing Date with the same force and effect as though made on and as of such date.

11.1.2 Compliance with Covenants

The Vendors shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by them or either of them on or prior to the Closing Date.

11.1.3 Permits, Etc.

On or before the Closing Date, there shall have been given to or obtained from, as the case may be, all appropriate Persons, including without limiting the generality thereof, all federal,

provincial, state, municipal or other governmental or administrative bodies, all such notices, permits, approvals and consents, in form and terms satisfactory to Counsel for the Purchaser, as may be required in order to permit the change of ownership of the Purchased Shares and the transactions contemplated herein provided for to be completed without affecting or resulting in the cancellation or termination of any licence, permit, franchise, contract or other right held by the Corporation, and without thereby imposing on the Purchaser or the Corporation any additional expense, liability, constraint, penalty or other liability, which notices, permits, approvals and consents shall include, without limiting the generality of the foregoing, those set out in the Disclosure Schedule.

11.1.4 Environmental Audit and Rectification of Environmental Noncompliances and Environmental Conditions

An environmental audit is to be carried out by the Purchaser in order to determine compliance of the Facilities and operations of the Corporation with all Environmental Laws and Environmental Approvals, and to identify existing or potential Environmental Noncompliances and Environmental Conditions (the "Environmental Audit").

It is agreed that the Closing is conditional on, and subject to, the full cooperation of the Vendors in the conducting of the Environmental Audit and the satisfaction of the Purchaser with the results thereof.

In the event that any Environmental Noncompliance or Environmental Condition is required by the Purchaser to be rectified by the Vendors prior to the Closing or as a condition thereof, the Purchaser shall give notice thereof to the Vendors requiring the Vendors to elect either (i) to cause such rectification, entirely at their cost, within a delay to be

prescribed by the Purchaser in such notice or (ii) to terminate this Agreement. The Vendors shall give notice of their election to the Purchaser within seven (7) days of the Purchaser's notice. In the event that the Vendors elect to cause such rectification within the delay prescribed by the Purchaser, the Closing Date shall be deferred to a date which is fifteen (15) days following written notice by the Purchaser to the Vendors that the Purchaser is satisfied with such rectification and the provision made by the Vendors for the costs thereof. In the event that the rectification is not completed within the prescribed delay or if the Purchaser gives notice to the Vendors that it is not satisfied therewith, this Agreement shall terminate.

11.1.5 Title Search

Without prejudice to or in any way affecting the representations and warranties provided by the Vendors in Section 6.5.3, the Purchaser shall have completed an examination of title to the immovable properties of the Corporation and determined, to its satisfaction, that the Corporation has good and marketable title to all its immovable properties and interests therein, free and clear of any Liens.

11.1.6 Due Diligence

Without prejudice to or in any way affecting the representations and warranties provided by the Vendors in this Agreement, the Purchaser shall have completed and be satisfied with the results of its due diligence investigation of the Corporation, including, without limitation, such investigation of the business, properties and rights of the Corporation and of its financial and legal condition, including the level of bank indebtedness, as the Purchaser may deem

necessary or advisable in order to become familiar with such business, properties and assets and other matters.

11.1.7 No Actions or Proceedings

No action or proceeding at law or in equity shall be pending or threatened by any Person, including without limiting the generality thereof any governmental authority, regulatory body or agency to enjoin or prohibit:

11.1.7.1 the purchase and sale of the Purchased Shares contemplated hereby or the right of the Purchaser to own the Purchased Shares; and

11.1.7.2 the right of the Corporation to conduct its operations and carry on its business in the normal course.

11.1.8 Opinion of Vendors' Counsel

The Purchaser shall have received from Counsel for the Vendors a favourable opinion addressed to the Purchaser, dated the Closing Date in the terms of the draft opinion set out in Exhibit 4 with such additions or modifications thereto as shall be mutually agreed between Counsel for the Vendors and Counsel for the Purchaser acting reasonably and as to such other matters incident to the transactions contemplated hereby as the Purchaser or Counsel for the Purchaser may reasonably request. In providing such opinion, Counsel for Vendors may rely upon the opinion of Bennett, Jones, Verchere with respect to matters governed by the laws of the Province of Alberta and with respect to the matters referred to in Sections 6.1.2 and 6.1.3 and shall express no opinion with respect to matters governed by laws of the United States.

11.1.9 Corporate and Other Proceedings

All corporate and other proceedings of the Corporation in connection with the transactions contemplated hereby, and all documents and instruments incident hereto, shall have been duly authorized and executed, shall be in form and substance to the satisfaction of the Purchaser and Counsel for the Purchaser, and the Purchaser and Counsel for the Purchaser shall have received all such documents and instruments, or duly certified copies thereof, as may be reasonably requested.

11.1.10 Replacement of Officers and Directors

Each of the officers and directors of the Corporation to be replaced in accordance with the notice referred to in Section 9.6 shall have been replaced by the nominee of the Purchaser named in such notice, and each such nominee shall have been duly appointed or elected to the office or post designated in such notice.

11.1.11 Employment Agreements

Each of Maurice Wechsler and Henri Wechsler shall have executed with the Corporation an employment agreement providing for employee services to be furnished to the Corporation in return for remuneration to be paid by the Corporation to each of the said Maurice Wechsler and Henri Wechsler (at mutually agreed intervals) equal to (i) a salary of Cdn.\$150,000, (ii) such expenses as shall be mutually agreed upon, and (iii) such bonus incentives as shall be mutually agreed upon.

11.1.12 Release

Each officer and director of the Corporation, shall have executed in favor of the Corporation a release of any claim

which he may have against the Corporation as director, officer or employee of the Corporation in respect of any matter occurring prior to the Closing Date.

11.1.13 Non-Competition and Confidentiality Agreements

Each of Maurice Wechsler and Henri Wechsler and the Vendors shall have executed with the Purchaser a non-competition and confidentiality agreement in favour of the Corporation, the whole in the form and terms of the draft agreement attached hereto as Exhibit 5.

11.1.14 List of Arbitrators

A List of Arbitrators for the purposes of Section 8.10 shall have been agreed and delivered, initialled by the Vendors and the Purchaser, to the Purchaser in accordance with the provision of Section 9.10.

11.1.15 Rescission on Failure to Fulfill

In case any of the foregoing conditions shall not be fulfilled and performed at or before the Closing Date to the reasonable satisfaction of the Purchaser and Counsel for the Purchaser, the Purchaser may rescind this Agreement by notice to the Vendors and in such event, the Purchaser shall be released from all obligations and liability hereunder, the whole without prejudice to any right of the Purchaser to claim for damages or loss of profits arising out of such non-fulfillment or non-performance. The conditions set out in this Section 11.1 are for the exclusive benefit of the Purchaser and may be waived by it in whole or in part by instrument in writing.

11.2 Conditions for the Benefit of the Vendors

The purchase and sale of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of the Vendors to be fulfilled and performed on or prior to the Closing Date.

11.2.1 Compliance with Covenants

The Purchaser shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it on or prior to the Closing Date.

11.2.2 Employment Agreements

Each of Maurice Wechsler and Henri Wechsler shall have executed with the Corporation an employment agreement as required in Section 11.1.11.

11.2.3 List of Arbitrators

A List of Arbitrators for the purposes of Section 8.10 shall have been agreed and delivered, initialled by the Vendors and the Purchaser, to the Vendors in accordance with the provisions of Section 10.2.

11.2.4 Opinion of Culp's Counsel

The Vendors shall have received from Culp's counsel in the United States a favourable opinion addressed to the Vendors affirming the due execution, validity and enforceability of the guarantee of Culp provided pursuant to Section 5 and the validity and enforceability of the conversion right of the Vendors under the Notes.

11.2.5 Rescission on Failure to Fulfill

In case any of the foregoing conditions shall not be fulfilled and performed at or before the Closing Date to the reasonable satisfaction of the Vendors and Counsel for the Vendors, the Vendors may rescind this Agreement by notice to the Purchaser and in such event, the Vendors shall be released from all obligations and liability hereunder, the whole without prejudice to any right of the Vendors to claim for damages or loss of profits arising out of such non-fulfillment or non-performance. The conditions set out in this Section 11.2 are for the exclusive benefit of the Vendors and may be waived by them in whole or in part by instrument in writing.

12. CLOSING

The sale and purchase of the Purchased Shares herein provided for shall be consummated and completed on the Closing Date at the Closing Place.

12.1 At the Closing, the Vendors shall deliver or cause to be delivered to the Purchaser free and clear of all Liens

12.1.1 a duly executed certificate or certificates for the Purchased Shares, registered in the name of the Purchaser or its duly appointed nominee and

12.1.2 all such other agreements, contracts, certificates, opinions, consents, approvals, and other documents herein required to be delivered by the Vendors or either of them at or prior to the Closing Date and not theretofore received by the Purchaser.

12.2 The Purchaser shall deliver or cause to be delivered to or to the order of the Vendors the portion of the Purchase Price referred to in paragraph 3.1 hereof in the form herein required to be so delivered.

13. MISCELLANEOUS

13.1 Notices, Etc.

Any communication provided for under this Agreement shall be in writing in the English language and may be given to the Person to whom it is addressed by delivering the same to or for or mailing the same by certified mail to such Person at the address of such Person as hereinafter set out or at such other address as such Person shall have theretofore notified to the other party or parties hereto. Any communication so addressed and delivered or mailed as aforesaid shall be deemed to have been sufficiently given or made on the date on which it was so delivered or five (5) days following the date of mailing, as the case may be.

To MASGAN INC.: 145 Finchley Rd.
Hampstead, Quebec
H3X 3A3

With copy to: Kugler Kandestin
1 Place Ville Marie
Suite 2101
Montreal, Quebec
H3B 2C6

Attention: Gerald Kandestin or
Arthur Wechsler

To SALORNA INC.: 141 Finchley Rd.
Hampstead, Quebec
H3X 3A3

With copy to: Kugler Kandestin
1 Place Ville Marie
Suite 2101
Montreal, Quebec
H3B 2C6

Attention: Gerald Kandestin or
Arthur Wechsler

To the Purchaser: c/o The Vice President and
Chief Financial Officer
Culp, Inc.
P.O. Box 2686
101 South Main St., 7th Floor
High Point, N.C.
U.S.A. 27261-2686

With copy to: Ogilvy Renault
1981 McGill College
Suite 1100
Montreal, Quebec
H3A 3C1

Attention: Richard J.F. Bowie

13.2 Specific Performance

Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the parties agrees that the other parties shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court having jurisdiction over the parties and

the matter, in addition to any other remedy to which they may be entitled, at law or in equity.

13.3 Governing Law

This Agreement shall in all respects be governed by and construed in accordance with the laws of the Province of Quebec, including all matters of construction, validity and performance.

13.4 Time of the Essence

Time shall be of the essence of this Agreement.

13.5 Public Announcement

No public announcement with respect to this Agreement or any transaction contemplated hereby shall be made by the parties hereto unless and until the text of the announcement and the time and manner of its release have been approved by the other party hereto, provided that, if at any time, any party hereto shall be bound by applicable law to make any such public announcement, such party shall be at liberty to do so, after consultation with the other party.

13.6 Expenses

Each party shall pay its own expenses incurred in connection with the authorization, preparation, execution and performance of this Agreement, including, without limitation, all fees and expenses of its counsel, employees, agents and representatives.

13.7 Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors, heirs, representatives and permitted assigns, provided that no benefit under this Agreement

may be voluntarily assigned by any party without the prior consent of the other party.

13.8 References to Disclosure Schedule

Any matter declared in any numbered section of this Agreement to be set out, stated, described or reflected in the Disclosure Schedule shall be deemed to have been sufficiently disclosed to the parties hereto for all purposes of this Agreement if, in a section of the Disclosure Schedule bearing the same number, such matter has been fully and plainly described or there is a cross reference to another section of the Disclosure Schedule containing such full and plain description.

13.9 Entire Agreement

This Agreement embodies the entire agreement and understanding among the parties hereto and supersedes all prior agreements between such parties. Neither this Agreement nor any of the terms hereof may be changed, waived, discharged or terminated otherwise than by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or modification is sought. Any waiver of any term or condition or any breach of any covenant of this Agreement shall not operate as a waiver of any other such term or condition or breach, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof.

13.10 Counterparts

This Agreement may be executed by the parties hereto in several counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall constitute but one and the same instrument.

13.11 Language

The parties hereto confirm that it is their wish that this Agreement as well as all other documents relating hereto including communications have been and shall be drawn up in English only.

Les parties aux presentes confirment leur volonte que cette convention, de meme que tous les documents, y compris tous avis, s'y rattachant, soient redies en anglais seulement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first hereinbefore written.

MASGAN INC.

Per: Maurice Wechsler
Maurice Wechsler

SALORNA INC.

Per: Henri Wechsler
Henri Wechsler

3096726 CANADA INC.

Per: Franklin N. Saxon

Rayonese Textile Inc.

Financial Statements

December 31, 1993

Price Waterhouse

January 14, 1994

Auditors' Report

To the Shareholders of
Rayonese Textile Inc.

We have audited the balance sheet of Rayonese Textile Inc. as at December 31, 1993 and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1993 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants

Rayonese Textile Inc.

Balance Sheet

	December 31	
	1993	1992
Assets		
Current Assets		
Accounts receivable	\$1,700,036	\$1,854,831
Inventories (Note 2)	2,847,700	2,891,000
Prepaid Expenses	47,400	6,000
	4,595,136	4,751,831
Property, plant and equipment (Note 3)	4,151,020	4,666,211
	\$8,746,156	\$9,418,042
Liabilities		
Current liabilities		
Bank Indebtedness (Note 4)	\$2,027,283	\$1,549,269
Accounts payable and accrued charges	563,763	844,455
Current portion of long-term debt (Note 4)	420,000	420,000
Income taxes payable	1,998	1,607
Dividend payable	_____	130,000
	3,013,044	2,945,331
Long-term debt (Note 4)	985,000	1,405,000
Deferred income taxes	497,297	587,297
	4,495,341	4,937,628
Shareholders' Equity		
Stated capital (Note 5)	4,110,000	4,110,000
Contributed surplus	493,137	493,137
Deficit (122,723)	(352,322)	
	4,250,815	4,480,414
	\$8,746,156	\$9,418,042
Approved by the Board _____ Director _____ Director		

Rayonese Textile Inc.

Statement of Loss and Deficit

	Year ended December 31	
	1993	1992
Gross sales	\$11,282,100	\$13,151,964
Discounts	141,827	142,257
Net sales	11,140,273	13,009,707
Cost of goods sold	10,313,840	11,684,224
Gross profit	826,433	1,325,483
Selling expenses	292,477	299,658
Administrative expenses	642,517	725,880
Interest on long-term debt	99,944	141,670
Interest on demand loan	109,096	135,740
	1,144,034	1,302,948
Income (loss) before income taxes	(317,601)	22,535
Provision for income taxes (recovery)		
Current	1,998	1,607
Deferred	(90,000)	5,137
	(88,002)	6,744
Net income (loss) for the year	(229,599)	15,791
Retained earnings (deficit), beginning of year	(122,723)	66,486
Dividends		(205,000)
Deficit, end of year	\$ (352,322)	\$ (122,723)

Rayonese Textile Inc.

Statement of Changes in Financial Position

	Year ended December 31	
	1993	1992
Operating activities		
Net income (loss) for the year	\$ (229,599)	\$ 15,791
Items not involving a current cash flow		
Depreciation	597,997	596,098
Deferred income taxes	(90,000)	5,137
Loss on disposal of fixed assets		1,008
	278,398	618,034
Net change in non-cash operating elements of working capital	(253,606)	1,414
Cash provided by operating activities	24,792	619,448
Investment activity		
Purchase of fixed assets - net	(82,806)	(77,240)
Financing activities		
Dividends		(205,000)
Repayment of term loan	(420,000)	(1,975,000)
New debt		2,000,000
Cash used in financing activities	(420,000)	(180,000)
Net cash increase (decrease) during the year	(478,014)	362,208
Bank indebtedness, beginning of year	(1,549,269)	(1,911,477)
Bank indebtedness, end of year	\$(2,027,283)	\$(1,549,289)

1. Summary of significant accounting policies

Inventories

Inventories are valued at the lower of cost and net realizable value.

Fixed assets and depreciation

Fixed assets are recorded at cost which is net of the proceeds of government grants and investment tax credits. Maintenance and repairs are charged against operations as incurred.

Depreciation is based on the estimated useful lives of the assets. The following methods and composite rates of depreciation are used for the principal assets of the business:

Building	5% diminishing balance
Machinery and equipment	6 straight-line - 20% diminishing balance
Furniture and fixtures	20% diminishing balance
Automobiles and automotive equipment	30% diminishing balance

Income taxes

Income taxes are accounted for on the tax allocation method whereby taxes are fully provided for on reported income at current tax rates. Deferred income taxes are a result of claiming deductions from taxable income, as permitted by income tax regulations, in amounts which do not coincide with those charged for financial reporting purposes.

2. Inventories

	1993	1992
Finished products	\$ 329,889	\$ 265,606
Work in process	1,519,230	1,607,930
Raw materials	184,674	202,019
Factory supplies	813,907	815,445
	\$2,847,700	\$2,891,000

3. Property, plant and equipment

1993			
	Cost	Accumulated depreciation	Net
Land	\$ 27,740	\$	\$ 27,740
Building	2,384,494	1,650,150	734,344
Machinery and equipment	11,041,188	7,702,311	3,338,877
Furniture and fixtures	153,585	128,400	25,185
Automobiles and automotive equipment	95,820	70,946	24,874
	\$13,702,827	\$9,551,807	\$4,151,020

1992			
	Cost	Accumulated depreciation	Net
Land	\$ 27,740	\$	\$ 27,740
Building	2,371,846	1,609,070	762,776
Machinery and equipment	10,972,976	7,162,107	3,810,869
Furniture and fixtures	151,639	122,347	29,292
Automobiles and automotive equipment	95,820	60,286	35,534
	\$13,620,021	\$8,953,810	\$4,666,211

4. Bank indebtedness and long-term debt

	1993	1992
Term loan at bank prime rate plus 1/2% repayable in monthly installments of \$35,000	\$1,405,000	\$1,825,000
Less: Portion included in current liabilities	420,000	420,000
	\$ 985,000	\$1,405,000

The term loan is secured by a fixed and floating charge over land, building, machinery and equipment.

Loan repayments over the next four years amount to:

1994	\$420,000
1995	\$420,000
1996	\$420,000
1997	\$145,000

Bank indebtedness is secured by a pledge of trade accounts receivable and inventories to the bank.

5. Stated capital

The company is authorized to issue an unlimited number of Class A and Class B common shares and Class C special shares. As at December 31, 1993, the company's stated capital was composed as follows:

	1993	1992
4,900 Class A common shares	\$ 4,900	\$ 4,900
5,100 Class B common shares	5,100	5,100
410 Class C special shares	4,100,000	4,100,000
	\$4,110,000	\$4,110,000

Rayonese Textile Inc.

Statement of Cost of Goods Sold
(unaudited)

	Year ended December 31	
	1993	1992
Opening inventory	\$ 2,891,000	\$2,826,721
Purchases, freight and duty	4,212,506	5,206,051
Wages and employee benefits	3,489,327	3,973,658
Factory overhead		
Supplies	708,872	764,514
Light, heat and power	902,430	842,081
Insurance and taxes	218,851	262,927
Depreciation		
Machinery and equipment	540,204	539,439
Building	41,080	39,481
Automotive equipment	8,437	6,795
Other	148,833	113,557
	2,568,707	2,568,794
	13,161,540	14,575,224
Less: Closing inventory	2,847,700	2,891,000
Cost of goods sold	\$10,313,840	\$11,684,224

Rayonese Textile Inc.

Statement of Selling and Administrative Expenses
(unaudited)

	Year ended December 31	
	1993	1992
Selling		
Shipping expenses	\$ 43,852	\$ 52,529
Salaries and commissions	112,375	108,954
Travel and promotion	89,890	94,528
Automobile expenses	44,137	39,463
Depreciation - automobiles	2,223	3,176
Loss on disposal of fixed assets		1,008
	\$292,477	\$299,658
Administrative		
Administrative salaries	\$390,788	\$384,162
Office salaries	152,069	165,514
Professional fees	31,699	48,089
Office supplies and postage	28,366	31,006
Telephone and telegraph	22,235	20,728
Donations	7,017	23,872
Depreciation - office furniture	6,053	7,207
General	5,922	5,344
Bad debt expense	(1,632)	39,958
	\$642,517	\$725,880

EXHIBIT 2

PROMISSORY NOTE

1. PROMISE TO PAY

In accordance with that certain Share Purchase Agreement dated _____, 1994 (the "Share Purchase Agreement") under which 3096726 Canada Inc. (the "Purchaser") has agreed to purchase from Masgan Inc. and Salorna Inc. all of the issued and outstanding shares of Rayonese Textile Inc., the Purchaser hereby promises to pay to (the "Vendor") on [36 months after Closing] the sum of \$2,727,272.50 in lawful currency of the United States of America (the "Debt"), said Debt to bear interest at the rate of six per cent (6%) per annum, compounded in the event of non-payment, said interest being payable in arrears on a quarterly basis commencing ninety (90) days following the Closing Date under the Share Purchase Agreement and both before and after maturity and judgment.

2. CAPITALIZED TERMS

In this Promissory Note, expressions beginning with a capital letter and not otherwise defined herein shall have the meaning ascribed thereto in the Share Purchase Agreement.

3. PAYMENT BY ANTICIPATION

Subject to the provisions of Sections 3.4 and 3.5 of the Share Purchase Agreement, the Vendor shall have the right to demand payment of all or part of the Debt, with interest accrued to the date of payment, (i) at any time and from time to time on or after [first anniversary of Closing], upon forty-five (45) days' prior notice (which may be given prior to the first anniversary of the Closing) to the Purchaser, the whole as more fully set forth in Section 3.3 of the Share Purchase Agreement, or (ii) at any time in the event of any Purchaser's Default which is, except in the case of default of the Purchaser to deliver certificates for shares of CULP within the delays stipulated in Sections 3.3 and 3.4 of the Share Purchase Agreement, not rectified by the Purchaser within ten (10) days following notice thereof given by the Vendors to the Purchaser.

4. CHANGE OF CONTROL OF CULP

The Vendor shall have the right to demand payment of the entire Debt, with interest accrued to the date of payment, upon fifteen (15) days' notice to the Purchaser in the event that Robert G. Culp, III, Judith C. Walker, Harry R. Culp and Esther R. Culp, as a group, at any time cease to hold voting control of common shares of Culp, Inc. ("CULP") which represent, in the aggregate, 15% or more of the outstanding common shares of CULP, the whole as more fully set forth in and subject to the provisions of Section 3.4 of the Share Purchase Agreement.

5. CONVERSION

5.1 Conversion Privilege

(a) After [first anniversary of Closing] and for so long as the Debt or any part thereof remains unpaid, the Vendor shall, subject to the provisions of Section 3.5 of the Share Purchase Agreement, have the right at any time to convert the Debt or, from time to time, to convert any part thereof into

common shares of the capital stock of CULP par value \$.05 per share ("Common Shares") at the conversion price of U.S.\$12.50 per Common Share (the "Conversion Price").

(b) In the event that Robert G. Culp, III, Judith C. Walker, Harry R. Culp and Esther R. Culp, as a group, at any time cease to hold voting control of common shares of CULP which represent, in the aggregate, 15% or more of the outstanding common shares of CULP, the Vendor shall, subject to the provisions of Section 3.4 of the Share Purchase Agreement have the right at any time to convert the entire Debt into Common Shares at the Conversion Price.

5.2 Conversion Procedure

In order to exercise its right of conversion, the Vendor shall give notice to CULP at its office at 101 South Main Street, 7th Floor, High Point, North Carolina, U.S.A. stating that it elects to convert the Debt or a stated portion thereof into Common Shares (the date of receipt by the Purchaser of such notice being herein referred to as the "Date of Conversion").

As promptly as practicable, but not later than 14 days following the Date of Conversion, and against delivery of this Note for replacement as provided for below CULP shall issue and deliver to the Vendor a certificate or certificates in the name of the Vendor for the number of Common Shares deliverable upon the conversion of the Debt or specified portion thereof based on the Conversion Price. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Date of Conversion and the Vendor shall be deemed to have become at such time the holder of record of the Common Shares resulting from such conversion; provided, however, that no such surrender on any day on which the transfer agent for Common Shares shall be closed shall be effective to constitute the Vendor as the holder of record of such Common Shares at such time, but such surrender shall be effective to constitute the Vendor as the holder of record thereof for all purposes at the close of business on the next succeeding day on which such transfer agent is open.

The Common Shares issued to the Vendor hereunder shall be entitled to dividends only in respect of dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such holder shall become the holder of record of such Common Shares pursuant to this Section 4.2.

Upon surrender to the Purchaser of this Note against delivery to the Vendor of a share certificate or certificates as provided for above in the case of a conversion of only part of the Debt, the Vendor shall be entitled to receive, without expense to the Vendor, a new Note for the unconverted portion of the Debt, upon the same terms and conditions as this Note, said new Note not effecting novation in any way whatsoever.

5.3 No Fractional Shares

Notwithstanding anything herein contained, CULP shall in no way be required to issue fractional Common Shares upon the conversion of the Debt or part thereof.

6. ADJUSTMENTS

6.1 Subdivision, Redivision, Etc.

For so long as the Debt or part thereof remains unpaid, in case the outstanding Common Shares of CULP shall be subdivided, redivided or changed into a greater or consolidated into a lesser number of shares or reclassified into different shares, the Vendor shall be entitled to receive and shall accept, upon the exercise of its right of conversion at any time on or after the effective date of such subdivision, redivision, change, consolidation or reclassification, in lieu of the number of Common Shares to which it was theretofore entitled upon conversion at the Conversion Price, the aggregate number of shares of CULP that the Vendor would have been entitled to receive as a result of such subdivision, redivision, change, consolidation or reclassification if, on the effective date thereof, it had been the registered holder of the number of Common Shares to which it was theretofore entitled upon conversion.

6.2 Certificate as to adjustment

CULP shall immediately after the occurrence of any event referred to in Section 6.1 provide the Vendor with a notice specifying in reasonable detail the nature of such event.

6.3 Reclassifications, reorganizations, etc.

In case of any reclassification or change of the Common Shares (other than a change as a result of a subdivision, redivision or consolidation), or in case of any amalgamation of CULP with, or merger of CULP into, any other corporation (other than an amalgamation or merger in which CULP is the continuing corporation and which does not result in any reclassification or change, other than aforesaid, of the Common Shares), CULP or the corporation formed by such amalgamation or the corporation into which CULP shall have been merged, as the case may be, shall execute and deliver to the Vendor an undertaking providing that the Vendor shall have the right thereafter to convert the Debt or remainder thereof into the kind and amount of shares and other securities and property receivable upon such reclassification, change, amalgamation or merger by a holder of the number of Common Shares into which the Debt or remainder thereof might have been converted immediately prior to such reclassification, change, amalgamation or merger. The above provisions of this Note shall similarly apply to successive reclassifications, changes, amalgamations or mergers.

7. NOTICES

Any communication provided for under this Note shall be in writing in the English language and may be given to the party to whom it is addressed by delivering the same to or for such party at the address of such party as hereinafter set forth or at such other address as such party shall have theretofore notified to the other party hereto. Any communication so addressed and delivered as aforesaid shall be deemed to have been sufficiently given or made on the date on which it was so delivered.

To Purchaser: c/o The Vice President and
Chief Financial Officer
Culp, Inc.
P.O. Box 2686
101 South Main St., 7th Floor
High Point, N.C.
U.S.A. 27261-2686

With copy to: Kugler Kandestin
1 Place Ville Marie
Suite 2101
Montreal, Quebec
H3B 2C6

Attention: Gerald Kandestin or
Arthur Wechsler

To [Vendor]:

With copy to: Kugler Kandestin
1 Place Ville Marie
Suite 2101
Montreal, Quebec
H3B 2C6

Attention: Gerald Kandestin or
Arthur Wechsler

8. PREPAYMENT

Notwithstanding the provisions of Section 1 hereof, the Purchaser shall have the right, at any time and from time to time after the date hereof, with the Vendor's prior written consent, to pay by anticipation to the Vendor, without penalty, all or part of the Debt, with interest accrued to the date of payment.

9. NON-NEGOTIABLE

This Note is not negotiable and may not be assigned.

10. NO NOVATION

This Note evidences but does not novate or otherwise discharge the Balance and interest payable thereon as defined in the Share Purchase Agreement and is secured and guaranteed by the security and guarantees described in the Share Purchase Agreement.

11. PREVAILING EFFECT OF SHARE PURCHASE AGREEMENT

In the event of any discrepancy between the terms of this Promissory Note and the Share Purchase Agreement, the terms of the Share Purchase Agreement shall prevail.

SIGNED at Montreal, this 1995.

3096726 CANADA INC.

By _____

[VENDOR]

UNDERTAKING

The undersigned, CULP, Inc., acknowledges having taken cognizance of the above Promissory Note and hereby confirms that, for good and valuable consideration received, it agrees to be bound by the provisions of Sections 4 and 5 thereof relating to the conversion of the debt evidenced by the said Promissory Note, or part thereof, into common shares of the capital stock of CULP, Inc.

The undersigned further confirms that 218,182 common shares of CULP, Inc. have been reserved and set aside for issuance further to the exercise by of its conversion rights pursuant to the said Promissory Note.

SIGNED at Montreal, this 1995.

CULP, INC.

EXHIBIT 3
SECURITY AND COVENANTS

SECURITY

1. As security for repayment of the Balance as well as all interest thereon (as evidenced, but neither novated nor discharged, by the Notes), Purchaser shall, at Closing, deliver or cause to be delivered to Vendors the following, namely:

- (a) an unconditional guarantee therefor from Culp;
- (b) an unconditional guarantee from the Corporation therefor, in turn supported and secured by the hypothecation (without dispossession) by the Corporation in favour of Vendors of:
 - i) as a universality, all of the Corporation's present and future movable property, assets and undertakings of every nature, form and description including, without limitation, all equipment to be purchased by the Corporation, Purchaser or Culp all insurance indemnities resulting from any loss or destruction thereof; and,
 - ii) all of the Corporation's immovable properties, all present and future rentals resulting therefrom, rental insurance thereon and insurance indemnities resulting from the loss or destruction thereof; and,
- (c) the hypothecation/pledge (with dispossession) of the Purchased Shares,

supported by certified extracts of by-laws and/or resolutions of the Boards of Directors of the Corporation, Culp and Purchaser as appropriate, all in form and substance satisfactory to Counsel for the Vendors, acting reasonably.

COVENANTS

2. Purchaser agrees and covenants with and in favour of Vendors that for so long as the Balance (and all interest thereon as stipulated herein) shall not have been fully paid to Vendors as herein provided, that:

- (a) the Corporation shall deliver to Vendors (i) within 30 days following the end of each of the Corporation's fiscal quarters (commencing with the fiscal quarter ending July 31, 1995), the Corporation's unaudited and unconsolidated financial statements (which shall include a balance sheet, statement of earnings and other documents normally forming part thereof) and (ii) within 60 days following each of the Corporation's fiscal year-ends (commencing with the fiscal year ending April 30, 1995) the Corporation's unaudited and unconsolidated financial

statements (which shall include a balance sheet, statement of earnings and other documents normally forming part thereof) all of which shall be prepared and presented in accordance with generally accepted accounting principles applied on a consistent basis (the "Statement(s)");

- (b) the ratio of the Corporation's debt to equity as reflected in any Statement shall not be greater than the ratio of the Corporation's debt to equity as reflected in the Closing Balance Sheet. For the purposes of this calculation, any debt owing by the Corporation to either Culp or the Purchaser which is postponed and hypothecated in Vendors' favour (the "Postponed Debt") shall be treated as equity;
- (c) the Corporation's working capital (defined in accordance with generally accepted accounting principles) shall not be less than 90% of the Corporation's working capital (defined in accordance with the same generally accepted accounting principles) as reflected in the Closing Balance Sheet. For the purposes hereof, amounts owing to the Corporation by Culp, the Purchaser and/or their affiliates outstanding for periods exceeding 45 days shall not be considered as current assets;
- (d) the Corporation's Tangible Net Worth (defined as the sum of the Corporation's share capital, earned and contributed surpluses and any Postponed Debt less (i) amounts owing to the Corporation by Culp, the Purchaser and/or their affiliates outstanding for periods exceeding 45 days, (ii) investments in affiliates, and (iii) intangible assets) as reflected in any Statement shall not be less than the Corporation's Tangible Net Worth (defined in the same manner) as reflected in the Closing Balance Sheet;
- (e) the Corporation shall not grant nor do or refrain from doing anything which results in the existence of any hypothecs, security interests or third party rights of any nature or form whatsoever upon any of the Corporation's present and future property, assets and undertakings of any nature or form whatsoever (whether ranking ahead of, after or pari passu with hypothecs and/or security interests in favour of Vendors thereon);
- (f) the Corporation shall not do or refrain from doing anything which results in (i) the declaration or payment of any dividend by the Corporation, the redemption, retraction and/or repurchase of any shares in the Corporation's capital stock or any other distribution to any shareholder of the Corporation, (ii) the repayment of any present or future loans to Culp (or any person "related" to Culp within the meaning ascribed thereto under the relevant provisions of the Bankruptcy and Insolvency Act, Canada), (iii) the issuance of any shares in the Corporation's capital stock or any undertaking to effect same, (iv) the modification of any rights, privileges and/or restrictions attaching to the Purchased Shares, or (v) the guaranteeing by the Corporation of any third party indebtedness;

- (g) the Corporation shall not sell or otherwise dispose of any of its present or future property, assets or undertakings other than (i) fixed assets which shall have become obsolete or are replaced in an aggregate book value amount not to exceed \$100,000.00 during any fiscal year or (ii) inventory in the ordinary course of business; and,

- (h) the Corporation shall diligently, actively and legally carry on business in substantially the same manner as the Corporation carried on such business prior to the Closing Date and the Corporation shall not carry on any business or own any property required for the carrying on of the Corporation's business through any subsidiary or any other person related" to the Corporation within the meaning ascribed to under the relevant provisions of the Bankruptcy and Insolvency Act, Canada.

EXHIBIT 4

(Letterhead of Kugler Kandestin)

, 1995

3096726 Canada Inc.
c/o Culp, Inc.
101 South Main Street
High Point, N.C.
27261

Re: Rayonese Textile Inc.

Dear Sirs:

We have acted as counsel to Masgan Inc. and Salorna Inc. (the "Vendors") in connection with the sale by them to you of all of the issued and outstanding shares of Rayonese Textile Inc. ("Rayonese") pursuant to the terms of a Share Purchase Agreement dated , 1994 (the "Share Purchase Agreement"). In that capacity we have attended the closing of sale on this date.

All capitalized words and expressions used in this opinion without definition shall have the respective meanings ascribed to them in the Share Purchase Agreement.

We have, for the purposes of this opinion, examined executed originals of the Share Purchase Agreement, a Non-Competition and Confidentiality Agreement between Masgan, Henri Wechsler and the Corporation. a Non- Competition and Confidentiality Agreement bearing this date between Salorna, Maurice Wechsler and the Corporation (the latter two Agreements referred to herein as the "Non-Competition Agreements"), an Employment Agreement bearing this date between Henri Wechsler and Rayonese, an Employment Agreement bearing this date between Maurice Wechsler and Rayonese (the latter two Agreements referred to herein as the "Employment Agreements") and originals, photostatic, certified or facsimile copies of all such documents, and considered such questions of law, as we have deemed relevant and necessary.

We have also, for such purposes, assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as photostatic, certified or facsimile copies thereof.

Relying solely upon and subject to the foregoing and to the qualifications hereinafter expressed, we are of the opinion that:

1. Rayonese is a corporation duly incorporated, organized and validly subsisting under the laws of the jurisdiction of its incorporation.

2. Rayonese has all necessary corporate power and authority to own, lease, occupy, operate and hold its properties and rights and to conduct its business as and in the places where such properties and rights are now owned, leased, occupied, operated or held or such business is now conducted.

3. Each of the Vendors is a corporation incorporated, organized and validly subsisting under the laws of the jurisdiction of its incorporation.

4. Each of the Vendors has the necessary capacity and authority to enter into the Share Purchase Agreement and the Non-Competition Agreement to which it is a party and to perform its obligations thereunder and the execution and delivery of each of such Agreements by each of the Vendors and the performance by it of its obligations thereunder have been authorized by all necessary corporate actions.

5. Each of Henri Wechsler and Maurice Wechsler has the necessary capacity and authority to enter into the Non-Competition Agreement and the Employment Agreement to which he is a party and to perform his respective obligations thereunder.

6. Each of the Share Purchase Agreement and the Non-Competition Agreements and Employment Agreements to which each is party have been duly executed and delivered by each of the Vendors and each of Henri Wechsler and Maurice Wechsler, and the Share Purchase Agreement, the Employment Agreement and, subject to the qualification and paragraph (c) below, each of the Non-Competition Agreement to which each is a party constitute legal, valid and binding obligations of the Vendors and Henri Wechsler and Maurice Wechsler, respectively, enforceable against each of them in accordance with their respective terms.

7. Neither the entering into of the Share Purchase Agreement nor the consummation of any of the transactions contemplated thereby nor the entering into of either of the Non-Competition Agreements will result in the violation of any of the terms or provisions of the respective constating documents or by-laws of the Vendors or of any law or regulation to which either of the Vendors is subject or, to the best of our knowledge, any material contracts of the Vendors or of Rayonese.

8. At the time of the Closing the authorized capital of Rayonese consists of [an unlimited number of Class A and Class B common shares and Class C special shares of which 4900 Class A common, 5100 Class B common and 410 Class C special shares (and no more) are outstanding and each of such outstanding shares has] been validly issued, are outstanding as fully paid and non-assessable and are registered in the names of the Vendors as follows:

	Class A Common	Class B Common	Class C Special
MASGAN INC.	2450	2550	205
SALORNA INC.	2450	2550	205

9. None of the issued and outstanding shares of Rayonese has been issued in violation of any pre-emptive rights and there are no outstanding subscriptions, options, warrants or other rights to purchase any securities of Rayonese.

10. We are not aware of any material suits, actions or other legal proceedings to which Rayonese is a party and which are not disclosed in the Disclosure Schedule.

Our opinion herein is subject to the following qualifications:

(a) The enforcement of the Share Purchase Agreement, the Employment Agreements and the Non-Competition Agreements or any judgment arising out of or in connection therewith may be limited by any applicable bankruptcy, reorganization, winding-up, insolvency, moratorium or other laws of general application affecting creditors' rights from time to time in effect.

(b) No opinion is expressed as to any specific remedy that may be granted, imposed or rendered and, in particular, no opinion is expressed as to the availability of equitable remedies as such for the enforcement of any provisions of the Share Purchase Agreement, the Employment Agreements or the Non-Competition Agreements, such as specific performance and injunction, which are available only in the discretion of the court.

(c) No opinion is expressed as to the enforceability of the provisions of Section 2.1 of each of the Non-Competition Agreements.

(d) Our opinion is confined to the laws of the Province of Quebec and the laws of Canada applicable therein.

This letter of opinion is provided solely for your benefit pursuant to Section 11.1.8 of the Share Purchase Agreement. It is not to be transmitted to any other person nor is it to be relied upon by any other person or for any other purpose or quoted or referred to in any document or filed with any other person without our prior written consent.

Yours very truly,

KUGLER KANDESTIN

EXHIBIT 5

NON-COMPETITION AGREEMENT

THIS AGREEMENT made as of the day of, 1995

BETWEEN:

(hereinafter called "");

AND: , a corporation duly constituted under the laws of Canada

(hereinafter called "");

AND: 3096726 CANADA INC., a corporation duly constituted under the laws of Canada

(hereinafter called the "Purchaser")

AND: RAYONESE TEXTILE INC., a corporation duly constituted under the laws of Canada

(hereinafter called the "Corporation")

WITNESSETH:

WHEREAS pursuant to the terms and conditions of a Share Purchase Agreement between Masgan Inc. and Salorna Inc. (the "Vendors") and the Purchaser made as of , 1994 (the "Share Purchase Agreement"), the Purchaser has agreed to purchase from the Vendors all of the issued and outstanding shares of the Corporation;

WHEREAS it is a condition precedent to the performance by the Purchaser of its obligations under the Share Purchase Agreement that and enter into this Agreement and and are willing to fulfill that condition;

WHEREAS will be employed by the Corporation for a period of time following the closing of the said purchase pursuant to an Employment Agreement as contemplated in the Share Purchase Agreement (the "Employment Agreement"); and

WHEREAS holds a controlling beneficial interest in ;

NOW, THEREFORE, in consideration of the purchase and sale of the Purchased Shares pursuant to the Share Purchase Agreement and for other good and valuable consideration received, the parties hereto agree as follows:

1. DEFINITIONS

In this Agreement, expressions beginning with a capital letter and not otherwise defined herein shall have the meaning ascribed thereto in the Share Purchase Agreement.

2. NON-COMPETITION

2.1 Each of _____ and _____ undertakes not to engage, directly or indirectly, in Canada or the United States of America, in any manner whatsoever with the Corporation, nor participate, directly or indirectly, in any manner whatsoever in any business or venture which is in any way competitive with the business of the Corporation (as such business will have been carried on at any time during the term of the Employment Agreement) (a "Competing Business"), either alone or in conjunction with any Person(s), or as a director, officer, employee, shareholder, partner, provider of funds, advisor of, or otherwise have an interest in, a Competing Business or any Person operating a Competing Business or being an affiliate of any such Person, except with the prior written consent of the Purchaser.

2.2 Each of _____ and _____ undertakes not to offer or permit any firm, partnership or corporation in which either of them has any direct or indirect interest to offer employment to or engage as an employee, consultant, agent, distributor or representative any person who was an employee of the Corporation at the Closing Date or at any time during the term of the Employment Agreement.

2.3 The restrictions set forth in Sections 2.1 and 2.2 shall apply from the date hereof until the latest of the following dates:

(i) Five (5) years from the date hereof; or

(ii) Four (4) years from the expiry of the original and any renewal term of the Employment Agreement.

2.4 The restrictions set forth in Sections 2.1 and 2.2 shall apply within the geographical limits of Canada and _____.

2.5 The restrictions set forth in Section 2.1 shall not apply to the investment by either of _____ or _____ in shares of Culp, Inc. or any successor entity in any proportion or in shares listed on a recognized stock exchange in a proportion not exceeding five percent (5%) of the issued shares of a Competing Business, provided such party does not in any manner take part in the decision-making process of such Competing Business otherwise than by exercising such party's rights as shareholder.

3. CONFIDENTIALITY

3.1 Each of _____ and _____ agrees that, during the period of time referred to in Section 2.3 and at any time thereafter, such party shall keep secret and confidential and shall not, directly or indirectly, in any manner whatsoever, divulge, communicate or disclose to any Person, nor use for such party's benefit or for the benefit of any Person other than the Corporation, any information, which is not otherwise of public knowledge, relating to the Corporation's business strategies, financial affairs, products, drawings, industrial designs, patents, patent rights, copyrights,

trademarks, specifications, blueprints, reports, descriptions of manufacturing processes, technical know-how, customer lists, computer systems, internal pricing, marketing strategies or activities, billing procedures, supplier lists, sales and distribution data or contractual relationships with third parties, except with the prior written consent of the Purchaser.

3.2 Each of and shall deliver to the Purchaser or the Corporation, upon termination of employment or upon request of the Purchaser, all documents, files, lists, samples and other information and property belonging to the Corporation or relating to the business of the Corporation and copies thereof in the possession or under the control of such party.

3.3 Each of and agrees to impose upon their respective employees and agents the same requirements of confidentiality and non-disclosure as are required of them hereunder.

4. DAMAGES AND INJUNCTIVE RELIEF

agrees that the Purchaser and/or the Corporation shall be entitled to injunctive relief to ensure compliance on the part of with the terms of this Agreement, without prejudice to the Purchaser's and the Corporation's other rights and remedies available under this Agreement or under the law.

5. ENFORCEABILITY AND SEVERABILITY

5.1 Each of and has carefully considered the nature and extent of the restrictive covenants set forth herein and agrees that the same are reasonable including with respect to duration, scope of activity and geographical area and necessary to protect the Purchaser's and the Corporation's legitimate interests. In particular, agrees that said restrictive covenants do not prevent him from reasonably earning his living.

5.2 However, in the event that a court of competent jurisdiction should conclude that any of these covenants is too long in duration or too broad in scope or in territory, the said court shall have the power and the duty to reduce its duration, scope and/or territory to the maximum duration, scope and/or territory it deems reasonable instead of invalidating such covenant and as of such ruling the said covenant shall be deemed modified accordingly.

5.3 Without limiting the foregoing, the parties agree that each of the provisions in this Agreement shall be deemed to be separate and distinct and if, for any reason whatsoever, any of these provisions is held null or unenforceable by the final determination of a court of competent jurisdiction and all appeals therefrom shall have failed or the time for such appeals shall have expired, such provision shall be deemed deleted from this Agreement without affecting the validity or enforceability of any other provisions hereof which shall remain in full force and effect.

5.4 All obligations of and under Section 2 and Section 3 of this Agreement shall terminate and become unenforceable in the event of any Purchaser's Default which is, except in the case of default of the Purchaser to deliver certificates for shares of CULP within the delays stipulated in Sections 3.3 and 3.4 which shall require no

notice, not rectified within ten (10) days following notice thereof given by the Vendors to the Purchaser.

6. NOTICES

Any communication provided for under this Agreement shall be in writing in the English language and may be given to the Person to whom it is addressed by delivering the same to or for or mailing the same by certified mail to such Person at the address of such Person as hereinafter set out or at such other address as such Person shall have theretofore notified to the other party or parties hereto. Any communication so addressed and delivered or mailed as aforesaid shall be deemed to have been sufficiently given or made on the date on which it was so delivered or five (5) days following the date of mailing, as the case may be.

To :
With copy to: Kugler Kandestin
1 Place Ville Marie
Suite 2101
Montreal, Quebec
H3B 2C6
Attention: Gerald Kandestin or
Arthur Wechsler

To :
With copy to: Kugler Kandestin
1 Place Ville Marie
Suite 2101
Montreal, Quebec
H3B 2C6
Attention: Gerald Kandestin or
Arthur Wechsler

To The Purchaser: c/o The Vice President and
Chief Financial Officer
Culp, Inc.
P.O. Box 2686
101 South Main St., 7th Floor
High Point, N.C.
U.S.A. 27261-2686

To The Corporation: 680 Monseigneur Dubois

Saint-Jerome, Quebec
J7Y 3L8

Attention: The President

7. GOVERNING LAW

This Agreement shall in all respects be governed by and construed in accordance with the laws in force in the Province of Quebec, including all matters of construction, validity and performance.

8. ASSIGNMENT

This Agreement shall enure to the benefit of the Purchaser, the Corporation and their respective successors and assigns, whether as a result of a sale, reorganization, amalgamation or otherwise and shall be binding upon and their respective successors and assigns.

9. ENTIRE AGREEMENT

Except for the Share Purchase Agreement and the Employment Agreement, this Agreement embodies the entire agreement and understanding among the parties hereto and supersedes all prior agreements between such parties with respect to the subject matter hereof.

10. WAIVER

Except as otherwise provided herein, neither this Agreement nor any of the terms hereof may be changed, waived or discharged otherwise than by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or modification is sought. Any waiver of any term or condition or any breach of any covenant of this Agreement shall not operate as a waiver of any other such term or condition or breach, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision hereof.

11. PARAGRAPH HEADINGS

The paragraph headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such paragraphs or of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first hereinbefore written.

Per:

Per

3096726 CANADA INC.

Per:

RAYONESE TEXTILE INC.

Per:

DISCLOSURE SCHEDULE
OF THE SHARE PURCHASE AGREEMENT
DATED DECEMBER 22, 1994

6.1 Enforceability of the Agreement

6.1.5 N/A

6.3 Capital Stock & Records

6.3.4 N/A

6.3.5 Directors - Henri Wechsler
- Maurice Wechsler

Officers - Henri Wechsler (President)
- Maurice Wechsler
(Secretary/Treasurer)

- Blair Barwick (Vice-President)
(even though not mentioned in last
year's Annual Minutes)

6.4 Business

6.4.1 Business of the Corporation
- Vertical textile manufacturer

6.4.2 Location where Corporation conducts its business
- 680 Monseigneur Dubois
St-Jerome, Quebec, J7Y 3L8

6.4.4 N/A

6.5 Assets & Liabilities

6.5.2 N/A

6.5.3 2 Automobile Leases with Clairview Leasing Company
Inc. regarding the following vehicles:

- 1993 Chevrolet Lumina
Serial Number: 2G1WL51T1P239430
- 1994 Nissan Ultima GXE
Serial Number: 1N4BU3106RC143178
(attached hereto)

Picanol Looms - "Agreement of Sale and Specific
Hypothecation of Movables", dated February 16, 1994 and
published at the Registry of Personal and Movable Real
Rights on February 17, 1994, under number 94-0016375-0001
(attached hereto)

List of the Corporation's Fixed Assets on or about
December 18, 1994 (approximation) (attached hereto)

- 6.5.5.1 N/A
- 6.5.5.2 N/A
- 6.5.5.3 N/A
- 6.5.5.4 N/A

- 6.5.6 N/A
- 6.6 Conduct of Business
 - 6.6.1.5 Labour Arbitration matter being handled by Ogilvy Renault
 - 6.6.1.6 Repayment buy the Corporation to Masgan Inc. of a \$3,000,000.00 US loan to be effected on or before December 23, 1994
 - 6.6.1.7 List of the Corporation's Capital Expenditures for 1994 (attached hereto)
- 6.7 Contract
 - 6.7.1. List of the Corporation's Contracts in excess of \$100,000.00 in the case of purchase orders of the Corporation for raw materials and sales orders received from customers, as at December 18, 1994 (attached hereto)
 - 6.7.3 Contract with Republic Factors dated February 3, 1994 (attached hereto)
 - 6.7.4 N/A
 - 6.7.5 N/A
 - 6.7.6 N/A
 - 6.7.7 (6.12) Collective Bargaining Agreement (already in the possession of Ogilvy Renault)
- 6.8 Insurance
 - 6.8.1 References regarding the Corporation's Insurance (attached hereto)
- 6.9 Taxes
 - 6.9.1 Federal and Provincial Notices of Assessment for 1993, 1992 and 1991 (attached hereto)
- 6.10 Patents, Trade Marks & Copyright
 - N/A
 - 6.11 Environmental Matters
 - 6.11.2.7 There is an underground storage facility which may be described as a cement settling tank (46,000 gallons)
- 6.12 Labour Relations
 - 6.12.1 See 6.7.7 above
 - 6.12.2 Severance settlement between the Corporation and Francesco Pignatelli dated July 26, 1994 (attached hereto)
- 6.13 Bank Accounts
 - 6.13.1 Corporation's Bank Accounts
 - Toronto Dominion Bank (Bleury & St-Catherine)
 - Toronto Dominion Bank (290 rue Labelle, St-Jerome)
 - 6.13.2 Authorized persons to sign on behalf of the Corporation are Henri Wechsler, Maurice Wechsler and Blair Barwick

6.15 No Finder's or Broker's Fee

Agreement with Werner Management Consultants Inc. (Martin Rubenstein) dated August 23, 1994 and signed by the representative of the corporation on August 24, 1994 (attached hereto)

6.17 Full Disclosure

6.17.2 N/A

10. Covenants of the Purchaser

10.1 Discharge of Toronto-Dominion Bank Security

Any and all amounts owed by the Corporation to Toronto-Dominion Bank shall be discharged by the Purchaser on closing, and all security held by the Bank in respect of such amounts

(Toronto-Dominion Security attached hereto)

11. Conditions of Closing

11.1.3 Permits - N/A

THIRD AMENDMENT
TO 1994 AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDMENT TO 1994 AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 1, 1994, (the "Amendment" or "Third Amendment") is made by and between

CULP, INC., a North Carolina corporation with its principal office in High Point, North Carolina (the "Borrower"); and

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, N.A., a national banking association, as Agent (the "Agent"); and

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, N.A., a national banking association ("First Union") and WACHOVIA BANK OF NORTH CAROLINA, N.A., a national banking association ("Wachovia" and collectively with First Union, the "Banks"),

to the 1994 Amended and Restated Credit Agreement dated as of April 15, 1994 (as amended, modified, restated or supplemented from time to time, the "Loan Agreement"). All capitalized terms not otherwise defined in this Amendment shall have the meanings assigned to them in the Loan Agreement.

RECITALS

A. Pursuant to the Loan Agreement, the Banks have made available to the Borrower Term Loans in the aggregate principal amount of \$36,000,000 evidenced by Term Notes of the Borrower in the aggregate principal amount of \$36,000,000, and a Revolving Loan in the aggregate principal amount of \$27,000,000 evidenced by Revolving Credit Notes in the aggregate principal amount of \$27,000,000.

B. The Borrower has requested that the Banks (i) increase the principal amount of the Term Loans by \$8,000,000 to \$44,000,000, (ii) adjust the pricing of the Loans, (iii) change and delete certain covenants, (iv) change the amortization of the Term Loans, (iv) allow for the proceeds of the Term Loans made available by the Banks pursuant to this Third Amendment to be used to prepay certain subordinated indebtedness and (v) make certain other modifications to the Loan Agreement.

C. The Borrower, the Agent and the Banks have agreed to amend the Loan Agreement as set forth herein.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of these premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Banks hereby agree as follows:

ARTICLE I

AMENDMENTS

The Loan Agreement is hereby amended as follows:

1.1. Definitions. Section 1 of the Loan Agreement is hereby amended by making the following changes:

(a) Section 1.4 containing the definition of "Applicable Margin" is hereby amended by deleting the definition in its entirety and replacing it with the following:

1.4. "Applicable Margin" means the marginal rate of interest which shall be paid by Borrower after October 31, 1994, in addition to the Prime Rate or the Adjusted LIBOR Rate, as the case may be, which coincides to the ratio of Consolidated Funded Debt to Operating Cash Flow for Borrower (calculated quarterly with respect to the immediately preceding four calendar quarters), as specifically set forth in a separate letter agreement dated November 1, 1994 between the Borrower and the Banks as such letter may be amended, restated, modified or supplemented from time to time.

(b) Section 1.27 containing the definition of "First Union Revolving Credit Note" is hereby amended by adding the following clause after the word "date" and prior to the period at the end of the section: "as such promissory note may be amended, restated, modified or supplemented from time to time."

(c) Section 1.30 containing the definition of "First Union Term Note" is hereby amended by adding the following clause after the word "date" and prior to the period at the end of the section: "as such promissory note may be amended, restated, modified or supplemented from time to time."

(d) Section 1.34 containing the definition of "Free Cash Flow" is hereby amended by deleting the definition in its entirety and replacing the language found after the section number with the term "[RESERVED]."

(e) Section 1.52 containing the definition of "Operating Cash Flow" is hereby amended by deleting the definition in its entirety and replacing it with the following:

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

(f) Section 1.58 containing the definition of "Required Banks" is hereby amended by deleting from the definition the figure "66 2/3%" and replacing such figure with "60%."

(g) Section 1.77 containing the definition of "Wachovia Revolving Credit Note" is hereby amended by adding the following clause after the word "date" and prior to the period at the end of the section: "as such promissory note may be amended, restated, modified or supplemented from time to time."

(h) Section 1.80 containing the definition of "Wachovia Term Note" is hereby amended by adding the following clause after the word "date" and prior to the period at the end of the section: "as such promissory note may be amended, restated, modified or supplemented from time to time."

1.2. Loans Evidenced by Term Notes. Section 3 of the Loan Agreement is hereby amended as set forth below:

(a) Section 3.1 is hereby amended by deleting the second sentence of the section in its entirety and replacing it with the following:

"The aggregate principal amount of the Term Loans is Forty-four Million Dollars (\$44,000,000)."

(b) Section 3.3 is hereby amended by deleting the fifth full paragraph after the end of subsection (b) in its entirety and replacing it with the following:

The aggregate principal amount of the Term Loans shall be due and payable and shall be repaid by the Borrower to the Agent for the ratable benefit of the Banks in seventy-five (75) consecutive monthly installments, each in the amount of Five Hundred Thousand Dollars (\$500,000.00), each such payment being due and payable on the tenth Business Day of each Fiscal Month for which such payment is due, commencing on December 14, 1994, and one installment in the amount of Six Million Five Hundred Thousand Dollars (\$6,500,000), due and payable on March

1, 2001; provided, however, that the Borrower shall be obligated to repay only those funds which it has actually borrowed, and in the event that the Borrower does not borrow the entire additional \$8,000,000 made available by the Banks pursuant to this Third Amendment, the amount not borrowed shall be applied as a payment on the Term Notes and shall be applied against the aggregate principal amount (\$44,000,000) due under the Term Notes in the inverse order of maturity. The final maturity date of each of the Term Notes is March 1, 2001.

1.3. Loans Evidenced by Revolving Credit Notes. Section 4 of the Loan Agreement is hereby amended as set forth below:

(a) Section 4.4 relating to Bankers' Acceptances is hereby amended by deleting subsection (g) in its entirety.

1.4. Use of Proceeds. Section 6 of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

SECTION 6. Use of Proceeds. The proceeds of the Revolving Loans shall be used by the Borrower for Capital Expenditures, for normal working capital requirements and to repay from time to time Accepted Drafts. The proceeds of the Term Loans, other than the proceeds made available by the Banks pursuant to the Third Amendment, shall be used by the Borrower to refinance and restructure existing indebtedness of the Borrower to First Union and Wachovia and for ongoing corporate purposes, and the additional Term Loan proceeds made available by the Banks pursuant to the Third Amendment shall be used, at such time or times as Borrower may determine, to prepay in whole or in part certain subordinated indebtedness evidenced by a promissory note dated November 1, 1993 in the principal amount of \$9,632,724 from the Borrower to Rossville Investments, Inc.

1.5. Affirmative Covenants. Section 9 of the Loan Agreement is hereby amended as set forth below:

(a) Sections 9.15, 9.17 and 9.18 of the Loan Agreement are hereby amended by deleting each of the sections in its entirety and replacing the language of each section found after the section number with the term "[RESERVED]."

(b) Section 9.19 of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

9.19. Operating Cash Flow to Interest Expense. Maintain a ratio of (x) Operating Cash Flow less Capital

Expenditures for such period, to (y) Interest Expense for such period, of at least 2.0 to 1.0 for each Fiscal Quarter from November 1, 1994 through the quarter ending July, 1995; 2.5 to 1.0 for each Fiscal Quarter thereafter until the Fiscal Quarter ending July, 1996; and 3.0 to 1 for each Fiscal Quarter thereafter.

(c) Section 9.20 of the Loan Agreement is hereby amended by deleting the last two clauses of the sentence containing the language "1 to 2.0 (50%) for the quarters ending October 1995, January 1996 and April 1996; and 1 to 2.22 (45%) thereafter" and inserting the following clause: "and 1 to 2.0 (50%) thereafter."

1.6. Negative Covenants of the Borrower. Section 10 of the Loan Agreement is hereby amended as set forth below:

(a) Sections 10.3 and 10.9 of the Loan Agreement are hereby amended by deleting each of the sections in its entirety and replacing the language of each section found after the section number with the term "[RESERVED]."

(b) Section 10.5 of the Loan Agreement is hereby amended by deleting the term "\$1,000,000" in the first sentence of such section and replacing such term with the term "\$5,000,000."

(c) Section 10.7 of the Loan Agreement is hereby amended by deleting the term "\$1,000,000" in the first sentence of such section and replacing such term with the term "\$5,000,000."

(d) Section 10.11 of the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

10.11. Prepayments. Retire or prepay prior to its stated maturity any Consolidated Funded Debt (other than (i) non interest-bearing purchase money obligations payable over a period of not to exceed two (2) years, given to vendors of equipment, and (ii) certain subordinated indebtedness evidenced by a promissory note dated November 1, 1993 in the principal amount of \$9,632,724 payable by the Borrower to Rossville Investments, Inc.) having a term of repayment in excess of one year, including any renewals, other than indebtedness to either of the Banks arising hereunder or obligations under industrial revenue bonds, or pay rental obligations more than 30 days in advance of the time for payment called for in the lease.

1.7. The Agent. Section 12 of the Loan Agreement is amended by adding a new Section 12.13 as set forth below:

12.13. Annual Fee. The Borrower shall pay to the Agent a fee in the amount of \$12,500 per annum, which

shall be payable (i) on November 1, 1994 and (ii) thereafter, annually in advance on November 1 of each year.

1.8. Annex I. Annex I to the Loan Agreement is hereby amended by deleting it in its entirety and replacing it with a new Annex I in the form of Annex I attached hereto.

1.9. Exhibits. Exhibits 1-A, 1-B, 2-A, 2-B and 5 of the Loan Agreement are hereby amended by deleting each exhibit in its entirety and replacing them with new Exhibits 1-A, 1-B, 2-A, 2-B and 5 in the form of Exhibits 1-A, 1-B, 2-A, 2-B and 5 attached hereto.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants that:

2.1. Compliance with Loan Agreement. The Borrower and each of its Subsidiaries are in compliance with all terms and provisions set forth in the Loan Agreement to be observed or performed, except where the Borrower's failure to comply has been waived in writing by the Agent and the Banks.

2.2. Representations in Loan Agreement. The representations and warranties of the Borrower set forth in the Loan Agreement are true and correct in all material respects except to the extent that such representations and warranties relate solely to or are specifically expressed as of a particular date or period which has passed or expired as of the date hereof.

2.3. No Event of Default. No Event of Default, nor any event that upon notice, lapse of time or both would become an Event of Default is continuing other than those, if any, waived in writing by the Agent and the Banks.

ARTICLE III

MODIFICATION OF LOAN DOCUMENTS AND CONDITIONS

3.1. Loan Documents. The other Loan Documents, as defined in the Loan Agreement, are amended as follows:

Any individual or collective reference to any of the Loan Documents in any of the other Loan Documents to which the Borrower or any of its Subsidiaries is a party shall mean, unless otherwise specifically provided, such Loan Document as

amended by this Third Amendment to 1994 Amended and Restated Credit Agreement, and as it is further amended, restated, supplemented or modified from time to time and any substitute or replacement therefor or renewals thereof, including without limitation, all references to the Loan Agreement, which shall mean the Loan Agreement as amended hereby and as further amended from time to time.

3.2. Conditions. The effectiveness of this Amendment is conditioned upon payment by the Borrower to the Agent for the ratable benefit of the Banks, of a fee in the amount of \$44,000, which represents .1% of the aggregate principal amount of the Term Loans, as adjusted pursuant to this Amendment.

ARTICLE IV

GENERAL

4.1. Full Force and Effect. As expressly amended hereby, the Loan Agreement shall continue in full force and effect in accordance with the provisions thereof. As used in the Loan Agreement, "hereinafter," "hereto," "hereof," and words of similar import shall, unless the context otherwise requires, mean the Loan Agreement as amended by this Amendment.

4.2. Applicable Law. This Amendment shall be governed by and construed in accordance with the internal laws and judicial decisions of the State of North Carolina.

4.3. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one instrument.

4.4. Further Assurance. The Borrower shall execute and deliver to the Agent and the Banks such documents, certificates and opinions as the Agent may reasonably request to effect the amendment contemplated by this Amendment.

4.5. Headings. The headings of this Amendment are for the purposes of reference only and shall not affect the construction of this Amendment.

4.6. Valid Amendment. The parties acknowledge that this Amendment complies in all respects with Section 13.1 of the Loan Agreement, which sets forth the requirements for amendments thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers all as of the date first above written.

FIRST UNION NATIONAL BANK OF NORTH CAROLINA, N.A.,
individually and as Agent

By: /s/ Kent L. Phillips
Title: Vice President

WACHOVIA BANK OF NORTH CAROLINA, N.A.

By: /s/ Pete T. Callahan
Title: Vice President

CULP, INC.

By: /s/ Franklin N. Saxon
Franklin N. Saxon, Vice President and
Chief Financial Officer

Annex I

Name of Banks	Commitment Amount Term Loans	Commitment Amount Revolving Loans	Percentage of Aggregate Commitments
First Union National Bank of North Carolina 209 North Main Street High Point, NC 27260	\$26,400,000	\$16,200,000	60.0%
Wachovia Bank of North Carolina, N.A. 200 North Main Street Post Office Box 631 High Point, NC 27261	\$17,600,000	\$10,800,000	40.0%

FIRST AMENDED AND RESTATED TERM NOTE

\$26,400,000

High Point, North Carolina
November 1, 1994

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower") , promises to pay to the order of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (the "Bank"), or order, at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA at High Point, North Carolina, in lawful money of the United States of America, the principal amount of Twenty-six Million Four Hundred Thousand Dollars (\$26,400,000), such principal amount to be payable in seventy-five (75) consecutive equal monthly installments of \$300,000.00, payable on the tenth Business Day of each Fiscal Month of the Borrower commencing December 14, 1995 and (ii) one final installment of \$3,900,000 payable on March 1, 2001, together with interest on the unpaid principal amount, such interest payments beginning on the tenth Business Day of the first Fiscal Month of the Borrower following the date hereof, as provided in the 1994 Amended and Restated Credit Agreement between the Borrower, the Bank (for itself and as Agent) and Wachovia Bank of North Carolina, N.A., dated as of April 15, 1994 (as amended, restated, modified or supplemented, the "Credit Agreement"); provided, however, that the Borrower shall be obligated to repay only those funds which it has actually borrowed, and in the event that the Borrower does not borrow the entire \$4,800,000 made available by the Bank pursuant to the Third Amendment to 1994 Amended and Restated Credit Agreement dated as of November 1, 1994 between the Borrower, the Bank for itself and as Agent, and Wachovia Bank of North Carolina, N.A., the principal amount not borrowed shall be applied as a payment on the Term Note and shall be applied against the principal amount of the Term Note (\$26,400,000) in the inverse order of maturity.

This Note is the First Union Term Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

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

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

CULP, INC.

(CORPORATE SEAL]

By: _____
_____ President

ATTEST:

Secretary

FIRST AMENDED AND RESTATED TERM NOTE

\$17,600,000

High Point, North Carolina
November 1, 1994

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower"), promises to pay to the order of WACHOVIA BANK OF NORTH CAROLINA, N.A. (the "Bank"), or order, at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (as the Bank's Agent and for the benefit of the Bank) at High Point, North Carolina, in lawful money of the United States of America, the principal amount of Seventeen Million Six Hundred Thousand Dollars (\$17,600,000), such principal amount to be payable in seventy-five (75) consecutive equal monthly installments of \$200,000.00, payable on the tenth Business Day of each Fiscal Month of the Borrower commencing December 14, 1995 and (ii) one final installment of \$2,600,000 payable on March 1, 2001, together with interest on the unpaid principal amount, such interest payments beginning on the tenth Business Day of the first Fiscal Month of the Borrower following the date hereof, as provided in the 1994 Amended and Restated Credit Agreement between the Borrower, the Bank and First Union National Bank of North Carolina for itself and as Agent, dated as of April 15, 1994 (as amended, restated, modified or supplemented, the "Credit Agreement"); provided, however, that the Borrower shall be obligated to repay only those funds which it has actually borrowed, and in the event that the Borrower does not borrow the entire \$3,200,000 made available by the Bank pursuant to the Third Amendment to 1994 Amended and Restated Credit Agreement dated as of November 1, 1994 between the Borrower, the Bank and First Union National Bank of North Carolina for itself and as Agent, the principal amount not borrowed shall be applied as a payment on the Term Note and shall be applied against the principal amount of the Term Note (\$17,600,000) in the inverse order of maturity.

This Note is the Wachovia Term Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

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

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

CULP, INC.

(CORPORATE SEAL]

By: _____
_____ President

ATTEST:

Secretary

FIRST AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$16,200,000

High Point, North Carolina
November 1, 1994

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower") , promises to pay to the order of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (the "Bank"), or order, on the Revolving Loan Termination Date (as defined in the 1994 Amended and Restated Credit Agreement dated as of April 15, 1994 between the Borrower, the Bank (for itself and as Agent) and Wachovia Bank of North Carolina, N.A. (as amended, restated, modified or supplemented, the "Credit Agreement")), at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA, High Point, North Carolina, in lawful money of the United States of America, the principal amount of Sixteen Million Two Hundred Thousand and No/ 100 Dollars (\$16,200,000). This Revolving Credit Note shall bear interest on the outstanding principal balance from time to time as provided in the Credit Agreement and interest shall be payable at the times set forth in the Credit Agreement.

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

This Note is the First Union Revolving Credit Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

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

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

[CORPORATE SEAL]

CULP, INC.

ATTEST:

Secretary

By: _____

President

FIRST AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$10,800,000

High Point, North Carolina
November 1, 1994

FOR VALUE RECEIVED, CULP, INC., a North Carolina corporation (herein called the "Borrower") , promises to pay to the order of WACHOVIA BANK OF NORTH CAROLINA, N.A. (the "Bank"), or order, on the Revolving Loan Termination Date (as defined in the 1994 Amended and Restated Credit Agreement dated as of April 15, 1994 between the Borrower, the Bank and First Union National Bank of North Carolina (for itself and as Agent) (as amended, restated, modified or supplemented, the "Credit Agreement")), at the office of FIRST UNION NATIONAL BANK OF NORTH CAROLINA (as the Bank's Agent and for the benefit of the Bank), High Point, North Carolina, in lawful money of the United States of America, the principal amount of Ten Million Eight Hundred Thousand and No/ 100 Dollars (\$10,800,000). This Revolving Credit Note shall bear interest on the outstanding principal balance from time to time as provided in the Credit Agreement and interest shall be payable at the times set forth in the Credit Agreement.

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

This Note is the Wachovia Revolving Credit Note referred to in the Credit Agreement and is entitled to the benefits thereof and may be prepaid in whole or in part as provided therein. Capitalized terms used herein without definition have the meanings specified in the Credit Agreement.

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

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

[CORPORATE SEAL]

CULP, INC.

ATTEST:

Secretary

By: _____

President

CULP, INC.

1994 AMENDED AND RESTATED CREDIT AGREEMENT

QUARTERLY OFFICER'S CERTIFICATE

DATE: _____

The undersigned chief financial officer of Culp, Inc. hereby certifies that based upon the financial statements as of _____, Culp, Inc. was in compliance with the provisions of the 1994 Amended and Restated Credit Agreement, as amended, and further certifies that, as of such date, the financial information set forth below is true and correct:

COVENANTS	Agreement Paragraph	Financial Covenants in 1994 Credit Agreement
Consolidated Tangible Shareholders' Equity (A)	9.16	\$58,000,000 from closing to FYE April 1995; prior year's amount plus 50% Net Income at each FYE thereafter
Operating Cash Flow less Capital Expenditures to Interest Expense (B-F) to (C)	9.19	2.0 for each FQE after November 1, 1994 until July, 1995 2.5 for each FQE thereafter until July, 1996 3.0 for each FQE thereafter
Consolidated Funded Debt to Total Capitalization (D) to (E)	9.20	60% from closing to FQE October 1994 55% for FQE January 1995, April 1995 and July 1995 50% for each FQE thereafter
Sale of Assets	10.5	\$5,000,000
Loans and Investments	10.7	\$5,000,000
Rental Obligations	10.10	10% of Consolidated Tangible Shareholder's Equity

Franklin N. Saxon
Vice President and
Chief Financial Officer

CULP, INC.

1994 AMENDED AND RESTATED CREDIT AGREEMENT

QUARTERLY OFFICER'S CERTIFICATE

CALCULATION OF CERTAIN FINANCIAL ITEMS

A)	Consolidated Shareholders' Equity per Balance Sheet	\$ _____
	Less Intangible Assets (including but not limited to: Non-compete Agreement and Debt Issue Costs)	_____
	Consolidated Tangible Shareholders' Equity	\$ _____
B)	Net Income	\$ _____
	Plus Interest Expense, income taxes, Depreciation and Amortization	\$ _____
	Operating Cash Flow	\$ _____
C)	Interest Expense	\$ _____
D)	Current Maturities	\$ _____
	Plus Long-Term Debt	_____
	Consolidated Funded Debt	\$ _____
E)	Consolidated Funded Debt	\$ _____
	Plus Borrower's Tangible Shareholder's Equity (Shareholder's Equity per Balance Sheet, Less Intangible Assets)	_____
	Total Capitalization	\$ _____
F)	Capital Expenditures	\$ _____

AMENDMENT TO LEASE

This Amendment to Lease is entered into by and between RDC, Inc. ("Lessor") and Culp, Inc. ("Lessee"), and relates to that certain Lease Agreement dated November 1, 1993 (the "Lease") by and between Lessor and Lessee for the Premises located at 555 McFarland Avenue in Walker County, Georgia, and more particularly described herein. Unless the context requires otherwise, capitalized or defined terms used herein shall have the same meaning as given to them in the Lease.

The parties hereby agree that the Lease is amended as follows:

1. PREMISES. The "Premises" shall be those portions of the real property located at 555 McFarland Avenue in Walker County, Georgia as are described on Schedule A attached hereto.

2. TERM AND OPTION TO RENEW. The term of the Lease shall be extended for a period of three (3) additional years, terminating on April 30, 1998, at 12:00 P.M.

Lessee shall have the option to extend the term of the Lease for one (1) additional period of three (3) years commencing on May 1, 1998 and terminating on April 30, 2001, which option must be exercised by Lessee in writing at least twelve (12) months prior to the end of the term as extended by this Amendment. Notice of exercise of the renewal option shall be effective when received or when deposited in the United States Mail, postage prepaid, correctly addressed and sent certified, return receipt requested.

If the option to extend the term of the Lease for an additional period of three (3) years beginning May 1, 1998 is exercised, beginning on May 1, 1998 (the "Adjustment Date") the rent shall be increased in a proportion reflecting the total increase in the Consumer Price Index for the preceding three year period, which increase shall be calculated as follows: multiply the May 1, 1995 rental rate by a fraction, the numerator of which is the Consumer Price Index, United States -- All Items for All Urban Consumers for May 1, 1998 and the denominator of which is such index figure on the same basis for May 1, 1995.

3. RENT. Beginning May 1, 1995, Lessee shall pay rent to Lessor in the amounts and for the specified portions of the Premises as set forth on Schedule A attached hereto and made a part hereof. Rent shall be payable monthly on the first day of each month during the term of the Lease.

4. PARKING. Lessor agrees that during the term of this Lease and any extensions thereof, it will at all times make available (at no additional cost to Lessee) adequate parking for Lessee and its employees in quantities sufficient to support Lessee's intended use of the Premises.

5. ENVIRONMENTAL MATTERS. Lessor acknowledges that asbestos is

present in the Premises, as disclosed by asbestos surveys previously obtained by Lessor. Lessor agrees to take prompt action, at Lessor's expense, to remedy all of the asbestos situations disclosed by such surveys including, without limitation, compliance with all recommendations contained in such surveys.

Lessee agrees to prepay rent (in an aggregate amount not to exceed \$125,000) to Lessor in the amount of and on or prior to the due dates of Lessor's expenses to third parties required for the asbestos remediation described above. Such amounts will be applied equally to the rent payments due from Lessee to Lessor beginning with the month after such payment by Lessee through April 30, 1998.

Lessor and Lessee know of no additional violations relating to the Premises of any Environmental Laws at the present time. However, if any such additional violations are subsequently discovered and remedial action is required to bring the Premises into compliance with any Environmental Law or is required by the federal or state environmental agencies, such remedial action will be taken by Lessor at Lessor's expense; provided, however, that if Lessor can show that the violation of the Environmental Laws first occurred after November 1, 1993 and was caused by the actions of the Lessee, then the cost of remedial action with respect to the violation that occurred after November 1, 1993 shall be borne by Lessee as provided in Paragraph 30 of the Lease.

6. TAXES. Through April 30, 1995, Lessee shall pay all real property taxes on the Premises as the term Premises is described in the Lease. On and after May 1, 1995 through the term of the Lease, including any extensions thereof, Lessee shall pay all real property taxes on the Premises as defined in this Amendment to Lease. Beginning with the date of this Amendment, during the term of the Lease, including all extensions, Lessor shall forward invoices for real property taxes to Lessee promptly upon receipt

thereof from taxing authorities, along with an appropriate allocation of such taxes showing the amount due with respect to the Premises. After May 1, 1995, the allocation shall be made in accordance with the provisions of Schedule B attached hereto. On or before December 15 of each year during the term of the Lease, Lessee will pay the real property taxes allocable to the Premises to the appropriate taxing authorities. For all tax parcels of which the Premises is a portion, Lessor shall pay the real property taxes allocable to the portions of such tax parcel or parcels that do not constitute part of the Premises before the delinquency date thereof. If Lessor does not make such payment, Lessee may, at its option, but without any requirement that Lessee do so, pay such taxes as may be delinquent on any tax parcel of which the Premises is a part, and may thereupon make demand for immediate reimbursement to Lessee by Lessor, which Lessor shall immediately pay to Lessee. Until such reimbursement has been paid in full, Lessee may withhold rent payments due to Lessor in full or partial satisfaction of Lessor's reimbursement obligation. It is further agreed that the real property taxes on the Premises for the last year of the Lease, which shall be the property taxes from January 1 of such year through April 30 of such year, shall be based on the taxes for the previous year and shall be paid on or before the last day of the term of the Lease by Lessee to Lessor, and Lessor shall pay the taxing authority for such taxes.

7. APPLICABLE LAW. The Lease and all amendments thereto shall be construed in accordance with the laws of the State of Georgia.

8. REFERENCES. Any reference to "Landlord" in the Lease shall be deemed to refer to "Lessor," and any reference to "Tenant" shall be deemed to refer to "Lessee."

9. OTHER PROVISIONS UNAFFECTED. Except as expressly amended hereby, the terms and conditions of the Lease are hereby ratified and shall remain in full force and effect.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Amendment to Lease as of the 4th day of November, 1994.

RDC, INC.

By: /s/ W. Frank Hutchinson

CULP, INC.

By: /s/ Franklin N. Saxon

SCHEDULE A

LEASE AGREEMENT BETWEEN RDC, INC. AND CULP, INC.

Building	Sq./Ft	\$ Sq./Ft	\$ Per Mo.	\$ Per Yr.
Novelty Yarn	44,875	\$ 1.50	\$ 5,609.38	\$ 67,312.50
Warping Plant-Concrete	35,821	1.50	4,477.63	53,731.50
Warping Plant-Wood	51,094	0.50	2,128.92	25,547.00
Finishing/Inspection	60,150	1.55	7,769.38	93,232.50
#8 Warehouse	41,185	1.55	5,319.73	63,836.75
Tasland Plant	48,048	0.45	1,801.80	21,621.60
Sample	6,666	1.25	694.38	8,332.50
Office	9,000	1.50	1,125.00	13,500.00
Accounting	9,666	1.50	1,208.25	14,499.00
TOTAL	+ \- 306,505	\$ 1.16	\$30,134.47	\$361,613.35
	35.062%	AVERAGE		

SCHEDULE B

Allocation of property tax to Culp, Inc. by RDC, Inc. will be based on square footage occupied by Culp, Inc. (306,500 sq. ft.) versus total square footage in the complex (874,181 sq. ft.)

This Amendment and Agreement is entered into as of the 14th day of December, 1994, by and between CULP, INC., ROSSVILLE INVESTMENTS, INC., ROSSVILLE COMPANIES, INC., CHROMATEX, INC., ROSSVILLE VELOURS, INC. and RDC, INC.

The purpose of this agreement is to resolve certain items that have arisen out of the Asset Purchase Agreement (the "Agreement") by and between Culp, Inc. ("Culp"), Rossville Companies, Inc., Chromatex, Inc., Rossville Velours, Inc. and A & E Leasing, Inc. (now known as Rossville Investments, Inc., and herein referred to as "Rossville") dated October 13, 1993. Capitalized terms not defined herein shall have the same meaning as that given to such terms in the Agreement unless the context requires otherwise.

Pursuant to the Agreement, Culp has delivered the Buyer Note to Rossville in the original principal amount of \$9,632,724. The principal amount of the Buyer Note is subject to adjustment pursuant to the terms of the Agreement, and the parties hereto have reached further agreements about the Buyer Note.

1. Section 1.7 of the Agreement provides that the parties shall agree on total amount of Returns and Uncollected Accounts and shall make an adjustment to the Buyer Note after comparing the amount of Returns and Uncollected Accounts to the reserves for such items on the Closing Date Balance Sheet. The parties have agreed that the total amount of Returns and Uncollected Accounts exceeds the reserves on the Closing Date Balance Sheet by \$58,537, and

therefore the principal amount of the Buyer Note shall be reduced by \$58,537 pursuant to Section 1.7(c)(ii) of the Agreement.

2. Section 7.2(c) provides that the principal amount of the Buyer Note will be reduced by the amount of expenses incurred by the parties to address the matters described in that Section, subject to a \$100,000 maximum reduction. To date, Rossville has incurred \$53,825 to address matters described in Section 7.2(c), and Culp has incurred \$21,126 in expenses to address such matters. Further, the parties have agreed that at least \$40,000 in additional expenditures will be required on account of these matters. Therefore, the principal amount of the Buyer Note will be reduced by \$46,125 (\$100,000 less the amount of expenses paid directly by Rossville) pursuant to Section 7.2(c) of the Agreement. Any further claims or expenditures that would have reduced the amount of the Buyer Note under Section 7.2(c) but for the \$100,000 limit contained in Section 7.2(c) will, to the extent such claims or expenses relate to matters also covered by Section 7.2(a), be subject to the \$50,000 "basket" provided in Section 7.2(a) before any further reductions in the amount of the Buyer Note are

made.

3. After the purchase of certain assets by Culp from Rossville and its affiliates pursuant to the Agreement, an account payable in the amount of \$4,415 by Rossville to Culp was created because of direct payments into Rossville's bank accounts of receivables that were purchased by Culp. For this reason, the principal amount of the Buyer Note will be reduced by \$4,415 in payment of this account owned by Rossville to Culp.

4. Pursuant to the Agreement, Culp made certain payments on behalf of Rossville to pay amounts due to factors owed by Rossville and its affiliates. The payment made to BNY Financial Corporation was insufficient because of late payment charges, and Culp was charged \$4,335 on account of those charges. The late payment charges paid by Culp will be reimbursed to Culp by Rossville through a reduction in the Buyer Note, and therefore the principal amount of the Buyer Note will be reduced by \$4,335.

5. The Buyer Note provides that if the principal amount thereof is decreased because Returns and Uncollected Accounts exceed the reserve for such items on the Closing Date Balance Sheet, then the holder of the Buyer Note will make a refund to Culp of interest paid with respect to the amount of such decrease from the Closing Date to the date of the final determination of the amount of the decrease. Through October 31, 1994, the amount of interest paid by Culp with respect to the Returns and Uncollected Accounts adjustment is \$4,248. The principal amount of the Buyer Note will be reduced accordingly to account for this refund of interest.

6. The parties have agreed that, after adjusting the amount of the Buyer Note as described above and to account for prior payments on the Buyer Note, Culp will make a prepayment on December 14, 1994 in an amount that will reduce the outstanding principal balance of the Buyer Note to \$1,000,000. The calculation of the amount to be prepaid is as follows:

\$	9,632,724	original principal balance
	(58,537)	adjustment under paragraph 1 above
	(46,125)	adjustment under paragraph 2 above
	(4,415)	adjustment under paragraph 3 above
	(4,335)	adjustment under paragraph 4 above
	(4,248)	refund of interest (paragraph 5 above)
	9,515,064	adjusted principal balance
	(2,408,181)	payment on November 1, 1994
	7,106,883	adjusted principal balance after 11/1/94 payment
	1,000,000	amount to remain outstanding
\$	6,106,883	amount of prepayment on 12/14/94

Pursuant to this agreement, (i) Culp will make a payment of \$6,106,883 on December 14, 1994 as a prepayment of the Buyer Note; (ii) Culp will pay all accrued interest to the date of such prepayment to the holder of the Buyer Note; and (iii) the Buyer Note will be further modified as follows:

- (a) The Contract Rate will be changed from the Prime Rate plus one-half of one percent to the "Adjusted LIBOR Rate" (as defined in the 1994 Amended and Restated Credit Agreement dated as of April 15, 1994 by and between Culp and First Union National Bank of North Carolina, as agent, and other parties, including any amendments thereto) plus one-half of one percent;

(b) Interest only will be payable quarterly; and

(c) The principal balance of the Buyer Note will be due and payable in full on November 1, 1996, with no other principal payments required during the period from December 14, 1994, through November 1, 1996.

7. The parties acknowledge and agree that certain remedial action must be taken in connection with two underground storage tanks at the Chromatex plant. The existence of these tanks was not disclosed at the time of the closing of the acquisition under the Agreement. The parties agree that Culp's costs in taking the required remedial action will constitute a claim against the Sellers and Rossville under Section 7.2(a) of the Agreement in an amount not to exceed \$25,000, and such amount will be applied against the \$50,000 "basket" contained in Section 7.2(a). Culp further agrees that it will not assert further claims against the Sellers in connection with the four underground storage tanks at Chromatex plants #1 and #2.

8. On December 14, 1994, at the time of making the prepayment described in paragraph 6 above, Culp will execute a Substitute Buyer Note in the principal amount of \$1,000,000 and in the form of Exhibit A attached hereto, and will deliver such Substitute Buyer Note to Rossville in exchange for the original Buyer Note, which shall be marked "paid and satisfied in full" by Rossville and delivered to Culp.

9. In connection with the agreements contained herein, Culp has agreed to lease extensions with the owners of the real property

located in Rossville, Georgia and used in connection with the Business purchased pursuant to the Agreement (referred to herein as the "Rossville Real Estate"). The Sellers have requested that they be released from certain liabilities under the Agreement that relate to the Rossville Real Estate, in exchange for an acknowledgement and agreement by the owners of the Rossville Real Estate that such owners will be responsible for the released claims. Therefore, Culp hereby releases the Sellers (as defined in the Agreement) from any claims arising after the date hereof against such Sellers on account of (i) a breach of the representations contained in Section 3.22(a), 3.22(b) or 3.22(c) of the Agreement solely to the extent such representations relate to the Rossville Real Estate, (ii) any contamination of the Rossville Real Estate by Hazardous Materials, specifically including contamination by asbestos, or (iii) any material deficiency in the condition of the Rossville Real Estate that does not relate to Environmental Laws (the claims described in clauses (i), (ii) and (iii) above being herein referred to as "Released Claims"); provided, however, that this release shall not apply to any claims that relate to conditions caused by the activities of the Sellers while such Sellers operated the Business at the Rossville Real Estate. Rossville (formerly known as A & E Leasing, Inc. and defined as the "Shareholder" in the Agreement) and RDC, Inc., the owners of the Rossville Real Estate, hereby agree that (i) Rossville will be liable for and will hold harmless and indemnify Culp for any and all Released Claims that relate in whole or in

part to the portion of the Rossville Real Estate leased to Culp under the lease between Rossville and Culp dated November 1, 1993 and (ii) RDC, Inc. will be liable for and will hold harmless and indemnify Culp for any and all Released Claims that relate in whole or in part to the portion of the Rossville Real Estate leased to Culp under the lease between RDC, Inc. and Culp dated November 1, 1993. This agreement is intended as a supplement to and is incorporated hereby into the leases between Culp, Rossville and RDC, Inc. relating to the Rossville Real Estate.

IN WITNESS WHEREOF, this Amendment and Agreement is executed as of the date first above written.

CULP, INC.

By: /s/ Franklin N. Saxon
Title: Vice President and CFO

ROSSVILLE INVESTMENTS, INC.
(f.k.a. A & E Leasing, Inc.)

By: /s/ Ronald Satterfield
Title: President

ROSSVILLE COMPANIES, INC.

By: /s/ Ronald Satterfield
Title: E.V.P.

(Signatures continued)

CHROMATEX, INC.

By: /s/ Ronald Satterfield
Title: E.V.P.

ROSSVILLE VELOURS, INC.

By: /s/ Ronald Satterfield
Title: E.V.P.

RDC, INC.

By: /s/ W. Frank Hutchinson
Title: President

EXHIBIT A

SUBSTITUTE PROMISSORY NOTE

\$1,000,000

Rossville, Georgia
December 14, 1994

FOR VALUE RECEIVED, the undersigned, Culp, Inc., a North Carolina corporation, (the "Maker") promises to pay to the order of Rossville Investments, Inc., a Georgia corporation (f.k.a. A & E Leasing, Inc.) (the "Lender"), the principal sum of ONE MILLION DOLLARS (\$1,000,000), together with interest from date hereof until maturity, upon unpaid principal balances, at the rate hereinafter specified.

Subject to the limitations hereinafter set forth, the disbursed and unpaid principal balances of the indebtedness hereby evidenced shall bear interest prior to maturity at a rate per annum which shall, from day to day, be equal to the lesser of (a) the maximum effective rate of interest (the "Maximum Rate") which the Lender may, from time to time, lawfully charge, or (b) a rate ("Contract Rate") equal to (i) one-half of one percent (.5%) per annum, plus (ii) the "Adjusted LIBOR Rate" as defined in the 1994 Amended and Restated Credit Agreement (the "Credit Agreement") by and between the Maker and First Union National Bank of North Carolina (the "Bank") and Wachovia Bank of North Carolina, N.A. dated April 15, 1994, each change in the rate of interest to be charged hereon to become effective, without notice to the undersigned, on the effective date of each change in the Maximum Rate or the Adjusted LIBOR Rate, as the case may be. The rate payable under this note on December 14, 1994 (Adjusted LIBOR Rate plus .5%) is 6.625%.

Any payment not made when due and, in the event of the acceleration of the indebtedness evidenced hereby by reason of the Maker's default, the entire unpaid principal balance hereof, shall bear interest after maturity at the lesser of (i) the maximum effective contract rate of interest which the Lender may lawfully charge under applicable statutes and laws in effect at the time of any such default and (ii) the Adjusted LIBOR Rate (as periodically adjusted in accordance with the immediately preceding paragraph) plus three and one-half percent (3.5%) per annum.

Said principal is payable in one installment on November 1, 1996; and said interest, upon unpaid principal balances, calculated as above provided, is payable quarterly on the first day of each and every quarter hereafter, commencing on the 1st day of February, 1995 with a final payment of all accrued and unpaid interest being due and payable on November 1, 1996.

All installments of both principal and interest on this Note are payable at the office of Lender, at P.O. Box 487, Rossville, Georgia, 30741, or at such other place as the holder may designate

in writing, in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment.

If:

(i) the Maker shall fail to make payment of any installment of principal or interest, or any part thereof as above provided, or

(ii) the Maker breaches any of the terms of the Asset Purchase Agreement (the "Asset Purchase Agreement") dated October 13, 1993 by and between the Maker and Lender which has a material adverse effect on the combined assets, operations or future prospects of the Maker, or

(iii) any of the representations and warranties contained in Article IV of the Asset Purchase Agreement are breached or are inaccurate or false or untrue in any respect which breach or inaccuracy could have a material adverse effect on the combined assets, operations or future prospects of the Maker, or

(iv) the Maker's "Funded Debt to Net Worth" ratio at any time is greater than 1.35 to 1, or

(v) upon any default in full payment, promptly as and when due (whether by reason of demand, acceleration or otherwise), of any other indebtedness, liabilities or obligations of the Maker to the Lender or to Chromatex, Inc. or Rossville Velours, Inc., whether now existing or hereafter created or arising, or

(vi) Maker shall make an assignment for the benefit of creditors, file a petition in bankruptcy, petition or apply to any tribunal for the appointment of a custodian, receiver or any trustee for it or a substantial part of its or his assets, or shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or if there shall have been filed any such petition or application, or any such proceeding shall have been commenced against Maker in which any order for relief is entered or which remains undismissed for a period of thirty (30) days or more; or Maker, by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or any trustee for it or any substantial part of any of its properties, or shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of thirty (30) days or more; or Maker shall generally not pay its debts as such debts become due; or

(vii) a judgment or order for the payment of money in an amount in excess of Two Million Dollars (\$2,000,000) is rendered

and remains unsatisfied against the Maker or any Subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(viii) the percentage of stock of the Maker owned by the Culp family as reported in public information filings is reduced below fifteen percent (15%); or

(ix) Maker or any of its Subsidiaries enter into any transaction of merger, consolidation, pooling of interest, joint venture, syndication or combination with any other person or entity or sell, lease, transfer or otherwise dispose of all or a substantial part (as defined in Subparagraph c below) of its assets (whether or not now owned or hereafter acquired) in any single transaction or series of related transactions, to any person or entity (other than acquisitions by Maker in which the Maker is the surviving entity), except that:

(a) any Subsidiary may merge with the Maker, provided that the Maker shall be the continuing or surviving corporation or with any one or more other Subsidiaries;

(b) any Subsidiary may sell, lease or otherwise dispose of any of its assets to the Maker;

(c) Maker and its Subsidiaries may, in one (1) fiscal year, sell at then current market value assets (i) having a book value of less than twenty-five percent (25%) of the total consolidated book value of assets as of the end of the preceding fiscal year and (ii) which contributed less than twenty-five percent (25%) of the operating profits in the immediately preceding four fiscal quarters [a sale of more than such assets shall constitute a sale of substantially all of its assets for purposes of this Paragraph (ix)]; or

(x) a default or an event of default occurs in connection with any Funded Debt which results in the Holder of such debt accelerating the maturity of such debt or otherwise declaring such debt due and payable;

then, if Buyer has not cured such default within ten (10) days of receipt of written notice of such default from Lender, and in any of such events, the entire unpaid principal balance of the indebtedness evidenced hereby, together with all interest then accrued, shall, at the absolute option of the Lender, at once

become due and payable, without demand or notice, the same being expressly waived.

"Funded Debt" for purposes of this Note shall mean:

(i) Indebtedness for borrowed money or for the deferred purchase price of property or services (other than trade accounts payable on customary terms and accrued expenses in the ordinary course of business), (ii) financial obligations evidenced by bonds, debentures, notes or other similar instruments (including, but not limited to, the "Buyer Notes"), (iii) financial obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principals, recorded as capital leases, and (iv) obligations under or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of indebtedness or financial obligations of others of the kinds referred to in Clauses (i) through (iii) above.

"Net Worth" for purposes of this Note means the excess of book value of the assets of the Maker and its Subsidiaries over the Maker's and its Subsidiaries' liabilities calculated in accordance with generally accepted accounting principals, provided, however, that in performing such calculation there shall be excluded from the assets of the Maker and its Subsidiaries (i) any amounts owed to Maker or any of its Subsidiaries by a Related Person.

"Subsidiary" or "Subsidiaries" for purposes of this Note shall mean any entity which is included in Maker's consolidated financial statements filed in connection with its annual report on Form 10-K or its quarterly reports on Form 10-Q with the Securities and Exchange Commission ("SEC") or, in the event Maker is no longer required to file such reports, any entity which would be required under the rules and regulations of the Securities Exchange Act of 1934 to be included in such consolidated financial statements.

"Related Person" shall mean any Person (a) which now or hereafter directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with Maker, or (b) which now or hereafter beneficially owns or holds five percent (5%) or more of the capital stock of Maker, or (c) five percent (5%) or more of the capital stock of which is beneficially owned or held by Maker. For the purposes hereof, "Control" shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership or voting stock, by contract or otherwise.

This Note is one of the "Buyer Notes" which are referred to in the Asset Purchase Agreement dated October 13, 1993 by and among Maker, Rossville Companies, Inc., Chromatex, Inc., Rossville

Velours, Inc. and A & E Leasing, Inc. (the "Asset Purchase Agreement"). Notwithstanding any other provision of this Note, the principal amount outstanding with respect to the Promissory Note shall be increased or decreased, as the case may be, in accordance with the provisions of the Asset Purchase Agreement. Upon the final determination of such increase or decrease, the Maker and Lender will execute an appropriate amendment to note reflecting such increase or decrease. If the principal amount of the Note is increased, interest shall be due and payable (at the rates provided herein) on the amount of such increase from the Closing through the date of such increase and such interest shall be paid on February 1, 1994 or, if such determination is made after February 1, 1994, such interest through the most recent quarterly interest payment date shall be immediately paid with the remainder of such interest to be paid with the immediately following quarterly interest payment. If the principal amount of the note is decreased, the Lender shall refund any interest payments made with respect to the amount of the decrease between the Closing and the date of the final determination of the amount of the adjustment. Notwithstanding the foregoing, no interest payments shall be made or return of interest payments will be required with respect to any adjustment to this Note made pursuant to the indemnification provisions of Article VII of the Asset Purchase Agreement.

If this Note is placed in the hands of an attorney for collection, by suit or otherwise, or to enforce its collection, the Maker shall pay on demand all costs of collection and litigation (including court costs), together with a reasonable attorney's fee.

The Maker waives protest, demand, presentment and notice of dishonor, and agrees that this Note may be extended, in whole or in part, without limit as to the number of such extensions, or the period or periods thereof, and without notice to them and without affecting its liability thereon.

The privilege is reserved and given to make additional payments on the principal of this Note, without penalty. Any partial prepayment of principal shall, however, not have the effect of suspending or deferring the annual principal payments herein provided for, but the same shall continue to be due and payable on each due date subsequent to any such partial prepayment of the principal, and shall operate to effect full payment of the principal at an earlier date.

It is the intention of the Lender and the Maker to comply strictly with all applicable usury laws; and, accordingly, in no event and upon no contingency shall the Lender ever be entitled to receive, collect, or apply as interest any interest, fees, charges, or other payments equivalent to interest, in excess of the maximum rate which the Lender may lawfully charge under applicable statutes and laws from time to time in effect; and, in the event that the holder hereof ever receives, collects, or applies as

interest, any such excess, such amount which, but for this provision, would be excessive interest, shall be applied to the reduction of the principal amount of the indebtedness evidenced hereby; and, if the principal amount of the indebtedness evidenced hereby, and all lawful interest thereon, is paid in full, any remaining excess shall forthwith be paid to the Maker, or other party lawfully entitled thereto. All interest paid or agreed to be paid by the Maker shall, to the maximum extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full period until payment in full of the principal, so that the interest hereon for such full period shall not exceed the maximum amount permitted by applicable law. Any provision hereof, or of any other agreement between the Lender and the Maker, that operates to bind, obligate, or compel the Maker to pay interest in excess of such maximum lawful contract rate shall be construed to require the payment of the maximum rate only. The provisions of this paragraph shall be given precedence over any other provision contained herein or in any other agreement between the Lender and the Maker that is in conflict with the provisions of this paragraph.

This Note shall be governed and construed according to the internal statutes and laws of the State of North Carolina, without reference to any conflicts of law principles.

This Note is not negotiable and may not be assigned.

ATTEST: CULP, INC.

By: _____ By: _____
Secretary Vice President

AMENDMENT TO LEASE

This Amendment to Lease is entered into by and between Rossville Investments, Inc. (formerly known as A & E Leasing, Inc.) ("Lessor") and Culp, Inc. ("Lessee"), and relates to that certain Lease Agreement dated November 1, 1993 (the "Lease") by and between Lessor and Lessee for the Premises described as Plant 12, located at Maple and Sousa Streets, Rossville, Georgia. Unless the context requires otherwise, capitalized or defined terms used herein shall have the same meaning as given to them in the Lease.

The parties hereby agree that the Lease is amended as follows:

1. TERM AND OPTION TO RENEW. The term of the Lease shall be extended for a period of three (3) additional years, terminating on April 30, 1998, at 12:00 P.M.

Lessee shall have the option to extend the term of the Lease for one (1) additional period of three (3) years commencing on May 1, 1998 and terminating on April 30, 2001, which option must be exercised by Lessee in writing at least twelve (12) months prior to the end of the term as extended by this Amendment. Notice of exercise of the renewal option shall be effective when received or when deposited in the United States Mail, postage prepaid, correctly addressed and sent certified, return receipt requested.

If the option to extend the term of the Lease for an additional period of three (3) years beginning May 1, 1998 is exercised, beginning on May 1, 1998 (the "Adjustment Date") the rent shall be increased in a proportion reflecting the total

increase in the Consumer Price Index for the preceding three year period, which increase shall be calculated as follows: multiply the May 1, 1995 rental rate by a fraction, the numerator of which is the Consumer Price Index, United States -- All Items for All Urban Consumers for May 1, 1998 and the denominator of which is such index figure on the same basis for May 1, 1995.

2. RENT. Beginning May 1, 1995, Lessee shall pay rent to Lessor in the amount of \$9,400 per month (\$112,800 per year). Rent shall be payable monthly on the first day of each month during the term of the Lease.

3. PARKING. Lessor agrees that during the term of this Lease and any extensions thereof, it will at all times make available (at no additional cost to Lessee) adequate parking for Lessee and its employees in quantities sufficient to support Lessee's intended use of the Premises.

4. TAXES. Lessee shall pay all real property taxes on the Premises. Beginning with the date of this Amendment, during the term of the Lease,

including all extensions, Lessor shall forward invoices for real property taxes to Lessee promptly upon receipt thereof from taxing authorities. In the alternative, Lessee may, at its option, make arrangements with such taxing authorities to have invoices provided directly to Lessee. On or before December 15 of each year during the term of the Lease, Lessee will pay the real property taxes due on the Premises to the appropriate taxing authorities. It is further agreed that the real property taxes on the Premises for the last year of the Lease, which shall

be the property taxes from January 1 of such year through April 30 of such year, shall be based on the taxes for the previous year and shall be paid on or before the last day of the term of the Lease by Lessee to Lessor, and Lessor shall pay the taxing authority for such taxes.

5. APPLICABLE LAW. The Lease and all amendments thereto shall be construed in accordance with the laws of the State of Georgia.

6. REFERENCES. Any reference to "Landlord" in the Lease shall be deemed to refer to "Lessor," and any reference to "Tenant" shall be deemed to refer to "Lessee."

7. OTHER PROVISIONS UNAFFECTED. Except as expressly amended hereby, the terms and conditions of the Lease are hereby ratified and shall remain in full force and effect.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Amendment to Lease as of the 14th day of December, 1994.

ROSSVILLE INVESTMENTS, INC.
(formerly known as A & E Leasing, Inc.)

By: /s/ Ronald Satterfield

CULP, INC.

By: /s/ Franklin N. Saxon

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