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

FORM 8-K

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

Date of Report (Date of earliest event reported) August 11, 2008

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina	0-12781	56-1001967
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

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

Item 1.01. Entry into a Material Definitive Agreement.

The information reported in Items 2.01 and 2.03 of this Current Report on Form 8-K is incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Pursuant to an Asset Purchase Agreement (the "Asset Agreement") among Culp, Inc. (the "Company"), Bodet & Horst USA, LP and Bodet & Horst GMBH & Co. KG (collectively, "Bodet & Horst") dated as of August 11, 2008, we have purchased certain assets of the knitted mattress fabric operation of Bodet & Horst, including its manufacturing operation located in High Point, North Carolina. The transaction was completed on August 11, 2008. The purchase involves the equipment, inventory and intellectual property associated with the High Point manufacturing operation, which has served as our primary source of knitted mattress fabric for six years. We are assuming the lease of the building where the operation is located and intend to continue the business in that location. The purchase price for the assets is cash in the amount of $10.5 million, plus the assumption of certain liabilities, subject to adjustment after closing for changes in working capital through the date of the closing. Also in connection with this purchase, we entered into a six year consulting and non-compete agreement with the principal owner of Bodet & Horst, providing for payments to the owner in the amount of $75,000 per year for the agreement's full six-year term. The Asset Agreement is filed herewith as Exhibit 10.1, and the summary of its terms set forth above is qualified in its entirety by reference to the Asset Agreement itself.

The acquisition is being financed by $11.0 million of unsecured notes pursuant to a Note Purchase Agreement dated August 11, 2008 (the "2008 Note Agreement"), as described in Item 2.03 below. The 2008 Note Agreement is filed herewith as Exhibit 10.2.

In connection with the 2008 Note Agreement, we also entered into a Consent and Fifth Amendment to Note Purchase Agreements, dated August 11, 2008 (the "Consent and Amendment"), which amends the previously existing note purchase agreements with the holders of our outstanding Series A and Series B notes. The parties to the Consent and Amendment, in addition to the Company, are Life Insurance Company of North America, Connecticut General Life Insurance Company, Beachside & Co., MONY Life Insurance Company, United of Omaha Life Insurance Company, Mutual of Omaha Life Insurance Company, and Prudential Retirement Insurance and Annuity Company (the "Existing Noteholders"). The purpose of the Consent and Amendment is for the Existing Noteholders to consent to the 2008 Note Agreement and to provide that certain financial covenants in favor of the Existing Noteholders will be on the same terms as those contained in the 2008 Note Agreement. This summary is qualified in its entirety by reference to the Consent and Amendment, which is filed herewith as Exhibit 10.3.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

In connection with the acquisition described in Item 2.01 above, we have entered into a Note Purchase Agreement dated August 11, 2008 (the "2008 Note Agreement") with Mutual of Omaha Insurance Company and United of Omaha Insurance Company. The 2008 Note Agreement provides for the issuance of $11 million of unsecured notes with a fixed interest rate of 8.01% and a term of seven years. Principal payments of $2.2 million per year are due on the notes beginning on the third anniversary of the closing. The 2008 Note Agreement contains customary financial and other covenants, including maintenance of minimum tangible net worth, a maximum ratio of debt to EBITDA, maximum priority debt, and a minimum fixed charge coverage ratio, all as defined in the 2008 Note Agreement. This description is qualified in its entirety by reference to the 2008 Note Agreement, which is filed herewith as Exhibit 10.2.

Item 8.01. Other Events.

On August 11, 2008, we issued a press release with respect to the acquisition described in this report. A copy of the press release is furnished herewith as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The financial statements required by this Item will be filed by amendment to this Current Report on Form 8-K as soon as practicable but not later than 71 days after the date that this Current Report on Form 8-K is required to be filed.

(b) Pro Forma Financial Information.

The pro forma financial information required by this Item will be filed by amendment to this Current Report on Form 8-K as soon as practicable but not later than 71 days after the date that this Current Report on Form 8-K is required to be filed.

(d) Exhibits.

10.1	Asset Purchase Agreement among Culp, Inc., Bodet & Horst USA, LP and Bodet & Horst GMBH & Co. KG, dated August 11, 2008
10.2	Note Purchase Agreement among Culp, Inc., Mutual of Omaha Insurance Company and United of Omaha Insurance Company, dated August 11, 2008
10.3	Consent and Fifth Amendment to Note Purchase Agreements dated August 11, 2008, by and among Culp, Inc., Life Insurance Company of North America, Connecticut General Life Insurance Company, Beachside & Co., MONY Life Insurance Company, United of Omaha Life Insurance Company, Mutual of Omaha Life Insurance Company, and Prudential Retirement Insurance and Annuity Company
99.1	Press Release dated August 11, 2008

SIGNATURES

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

Date: August 11, 2008

Culp, Inc.

By: /s/ Kenneth R. Bowling
Kenneth R. Bowling
Chief Financial Officer

Exhibit 10.1

ASSET PURCHASE AGREEMENT

AMONG

CULP, INC.

AND

BODET & HORST USA, LP

BODET & HORST GMBH & CO. KG

DATED AS OF AUGUST 11, 2008

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is entered into on August 11, 2008, by and among **CULP, INC.**, a North Carolina corporation ("Buyer"), **BODET & HORST USA, LP**, a North Carolina domestic limited partnership ("Seller"), and with regard to § 3, § 6(c), § 6(d), § 6(e)(iii), § 6(f), § 6(g), § 6(h), 6(i), § 8 and § 10(k) (and the defined terms in § 1 associated with the foregoing) only, **BODET & HORST GMBH & CO. KG** ("Shareholder"; Seller and Shareholder collectively referred to as the "Selling Parties"; Buyer and Seller being referred to herein, individually, as a "Party" and collectively as the "Parties").

WHEREAS, Seller is engaged in, among other things, the business of the sale of running meters of circular knitted double jersey plain and jacquard, circular knitted terry plain and jacquard and circular knitted velour plain and jacquard in the United States, Canada and Mexico; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase and acquire all of the Purchased Assets (as hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

§ 1 Definitions

"*Accounting Expert*" has the meaning set forth in §2(e)(iv).

"*Acquired Assets*" means (1) all of the fixed assets of Seller described conclusively in Schedule 1 AA, (2) all Inventories related to the Business as of the Closing Date of which Schedule 1 AA includes an indicative list as of July 31, 2008, excluding for the avoidance of doubt any and all Inventories relating to the production and sale of Products to Tempurpedic and any direct or indirect supplier of Tempurpedic, and (3) all assets conclusively listed on Schedule 1 AC, Schedule 1 IP and Schedule 1 PE, but excluding for the avoidance of doubt any Excluded Assets.

"*Adverse Consequences*" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, reasonable amounts paid in settlement, liabilities, obligations, Taxes, Liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"*Affiliate*" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"*Agency Agreement*" has the meaning as set forth in §6(d).

"*Ancillary Agreements*" has the meaning as set forth in §2(f)(iv).

"*Assignment and Assumption Agreement*" has the meaning as set forth in §2(f)(ii).

"*Assumed Liabilities*" means (a) any and all liabilities and obligations of the Seller relating to the Business as of the Closing Date as listed indicatively in Schedule 1 AL as of July 29, 2008 and July 31, 2008 respectively or arising after the Closing Date, (b) the Boyteks Assumed Liabilities and (c) any and all liabilities and obligations of the Seller arising from and after Closing under the Assumed Contracts, however, for the avoidance of doubt, Buyer shall also assume any and all liabilities and obligations under the Assumed Contracts that arose prior to Closing, if and to the extent such liabilities and obligations are included in (a) or (b) above, excluding for the avoidance of doubt (1) any liabilities or obligations relating to the production and sale of any products, including but not limited to Products to Tempurpedic and any direct or indirect supplier of Tempurpedic, (2) any and all bank loans of the Seller, (3) any and all liabilities and obligations of the Seller to any related party or affiliate of the Seller, (4) any and all Boyteks Retained Liabilities and (5) any and all Retained Liabilities, in particular Retained Liabilities with regard to the employees of the Seller.

"*Bill of Sale*" has the meaning as set forth in § 2(f)(i).

"*Boyteks*" shall mean Boyteks A.S. or any Affiliate of Boyteks A.S. or any direct or indirect supplier of Boyteks A.S.

"*Boyteks Assumed Liabilities*" shall mean any payables of either Selling Party to Boyteks for any goods or supplies delivered from Boyteks to the Buyer, for which the Buyer has not yet made full payment to either Selling Party on the relating Boyteks Receivables.

"*Boyteks Receivables*" shall mean any receivable of either Selling Party against the Buyer for the delivery of goods and supplies from Boyteks to the Buyer, including the commission to be paid by the Buyer to either Selling Party for such delivery.

"*Boyteks Retained Liabilities*" shall mean any payables of either Selling Party to Boyteks not being a Boyteks Assumed Liability.

"*Break Fee*" shall mean a lump sum amount of $500,000.

"*Business*" means the sale of running meters of circular knitted double jersey plain and jacquard, circular knitted terry plain and jacquard and circular knitted velour plain and jacquard in the United States, Canada and Mexico as currently conducted by Seller but shall exclude any sales to Tempurpedic and IKEA (such exclusion to cover any indirect sales to Tempurpedic and any indirect sales to IKEA so long as such sales to IKEA are made pursuant to the Agency Agreement).

"*Business Day*" means a day other than a Saturday, Sunday, or national holiday.

"*Buyer*" has the meaning set forth in the preface above.

"*Cash*" means cash and cash equivalents (including marketable securities and short-term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements.

"*Closing*" has the meaning set forth in §2(f) below.

"*Closing Balance Sheet*" has the meaning as set forth in §2(e).

"*Closing Date*" has the meaning set forth in §2(f) below.

"*Closing Net Working Capital*" has the meaning as set forth in §2(d).

"*Culp Supplier Inventory*" shall mean any and all Inventory directly or indirectly delivered to Seller by American Fibers & Yarns Company, O'Mara Incorporated or Unifi, Inc.

"*Current Assets*" means Inventories held for sale in the Business and which would be of a nature to be included in the Acquired Assets if they were held by the Seller as of the Closing Date.

"*Current Liabilities*" means current liabilities of the Seller which would be of a nature to be included in the Assumed Liabilities if they were liabilities of the Seller as of the Closing Date.

"*Disclosure Schedule*" has the meaning set forth in §3 below.

"*Environmental Laws*" means any statute, law, regulation, order, writ or judicial or administrative determination that relates to the generation, storage, handling, discharge, emission, transportation, treatment or disposal of Hazardous Substances or wastes or to the protection of human health and the environment, including CERCLA, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Clean Water Act, the Federal Water Pollution Control Act, the Safe Drinking Water Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, and the Hazardous Material Transportation Act, in each case as amended, and the regulations implementing such acts and the state and local equivalent of such acts and regulations, and common law.

"*Excess Net Working Capital*" has the meaning as set forth in §2(d)(iii).

"*Excess Net Working Capital Payment Amount*" has the meaning as set forth in §2(d)(iii).

"*Excluded Assets*" means any and all assets not constituting Acquired Assets, including Cash and the assets as listed indicatively as of July 28, 2008 in Schedule 1 EA.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, including all regulations and other authoritative governmental authority guidance issued with respect thereto.

"*ERISA Affiliate*" means any trade or business, whether or not incorporated, that is a member of a group of corporations or of trades or businesses (whether or not incorporated) that along with the Seller are treated as a single employer under and for any of the purposes specified in Section 414(b), (c), (m) or (o) of the Code or that is a member of a controlled group within the meaning of Section 4001(a)(14) of ERISA that includes the Seller.

"*Financial Statements*" means, collectively, the Interim Balance Sheet and the audited balance sheet, income statement and statement of cash flows for the Seller dated as of June 30, 2006 and June 30, 2007 (including the notes thereto.

"*GAAP*" means United States generally accepted accounting principles as in effect from time to time, consistently applied.

"*General Partner*" means Bodet & Horst Corporation, with registered offices at 100 North Tryon Street, Suite 4700, Charlotte, NC, 28202-4003.

"*Hazardous Substance*" includes each substance identified or designated as such under CERCLA, as well as any other substance or material meeting any one or more of the following criteria: (i) it is or contains a substance designated as a hazardous waste, hazardous substance, hazardous material, pollutant, contaminant or toxic substance under any Environmental Law, (ii) it is toxic, reactive, corrosive, ignitable, infectious, radioactive or otherwise hazardous or (iii) it is or contains, without limiting the foregoing, petroleum hydrocarbons.

"*Hired Employees*" has the meaning as set forth in §2(g)(iii).

"*IKEA*" means any entity belonging to the IKEA group companies as further identified under http://www.ikea.com/us/en/.

"*Indemnified Party*" has the meaning set forth in §8(d) below.

"*Indemnifying Party*" has the meaning set forth in §8(d) below.

"*Intellectual Property*" means the designs and related copyrights used in the operation of the Business, including all rights related thereto and all the other intellectual property set forth on Schedule 1 IP.

"*Interim Balance Sheet*" means the unaudited balance sheet of the Seller dated as of January 31, 2008.

"*Inventories*" means all inventories owned by Seller on the Closing Date relating to the Business, wherever located, including all finished goods, work in progress, raw materials and all other materials and supplies to be used and consumed by Seller in the production of finished goods sold by the Seller in the Business (but specifically excluding inventories for sale to Tempurpedic).

"*IP Assignment Agreement*" has the meaning has set forth in §2(g)(iii).

"*Knowledge*" means actual knowledge without independent investigation.

"*Liens*" means any mortgages, claims, liens, security interests, pledges, escrows, charges, options, easements, conditions, rights-of-way, covenants, leases, subleases, licenses and other occupancy agreements or other restrictions or encumbrances of any kind or character whatsoever.

“*Material Adverse Effect*” or “*Material Adverse Change*” means any effect or change that would be materially adverse to the Business of the Seller taken as a whole; provided that none of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect or Material Adverse Change: (a) any adverse change, event, development, or effect arising from or relating to (1) general business or economic conditions, (2) national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (3) financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (4) changes in GAAP, (5) changes in laws, rules, regulations, orders, or other binding directives issued by any governmental entity, (6) the taking of any action contemplated by this Agreement and the other agreements contemplated hereby, (7) any change in the sales to, ability to fulfill orders from or relationship with Tempurpedic or IKEA, (8) announcement or pendency of the consummation of this Agreement and the transactions contemplated by this Agreement either publicly or to the customers, suppliers, employees and advisors of the Seller or the Business; and (b) any existing event, occurrence, or circumstance with respect to which Buyer has Knowledge as of the date hereof, and (c) any adverse change in or effect on the business of the Seller that is cured before the earlier of (1) the Closing Date and (2) the date on which this Agreement is terminated pursuant to §7 hereof.

“*Net Working Capital*” means, as of the date of determination, (a) the sum of (i) Current Assets and (ii) Prepaid Expenses, less (b) Current Liabilities, all as associated with the Business and determined as of such date. For the avoidance of doubt, any and all liabilities to any employee of the Seller shall not be part of the Net Working Capital.

“*Net Working Capital Deficiency*” has the meaning as set forth in §2(d)(iii).

“*Net Working Capital Deficiency Payment Amount*” has the meaning as set forth in §2(e)(iii).

“*Non-Culp Supplier Inventory*” shall mean any and all Inventory not directly or indirectly delivered to Seller by American Fibers&Yarn, Omara Inc. or Unifi Manufacturing.

“*NWC Determination Date*” has the meaning as set forth in §2(d)(ii).

“*Ordinary Course of Business*” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

“*Outside Date*” has the meaning as set forth in §9(a)(ii).

“*Party*” has the meaning set forth in the preface above.

“*Permitted Liens*” means (i) the Liens for current Taxes not yet due and payable, and (ii) the Liens imposed by law, such as the Liens of carriers, warehousemen, mechanics, materialmen and landlords, and other similar Liens incurred in the Ordinary Course of Business for sums not constituting borrowed money, that are not overdue.

“*Person*” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a governmental entity (or any department, agency, or political subdivision thereof).

“*Plan*” means any material employee pension, retirement, profit-sharing, stock bonus, incentive, deferred compensation, stock option, employee stock ownership, hospitalization, medical, dental, vacation, insurance, sick pay, disability, severance or other plan, fund, program, policy, contract or arrangement, whether arrived at through collective bargaining or otherwise, providing employee benefits, including any “employee benefit plan” as that term is defined in Section 3(3) of ERISA, currently maintained by, sponsored in whole or in part by, or contributed to by the Seller, for the benefit of employees, retirees, directors or independent contractors of the Business and their dependents, spouses or other beneficiaries.

“*Post Closing Adjustment Amount*” has the meaning as set forth in §2(d)(iii).

“*Preliminary Purchase Price*” has the meaning as set forth in §2(c).

“*Prepaid Expenses*” shall include all expenses prepaid by the Seller prior to Closing Date, which items are described in Schedule 1 PE.

“*Products*” means circular knitted double jersey plain and jacquard, circular knitted terry plain and jacquard, and circular knitted velour plain and jacquard if and to the extent these products shall be used in any way for the mattress industry and/or the mattress ticking industry.

“*Purchase Price*” has the meaning set forth in §2(c) below.

“*Responsible Officer*” means Gerd-Hermann Horst and Jerry Pratt.

“*Retained Liabilities*” means any all liabilities not constituting Assumed Liabilities, including (a) the liabilities as listed indicatively as of July 29, 2008 and July 31, 2008 respectively in Schedule 1 RL, (b) any liabilities associated with the matters described in § 3(l) of the Disclosure Schedule, (c) any Boyteks Retained Liabilities, (d) any professional fees for legal, tax or accounting services and (e) any liabilities associated with or related to (i) any delinquencies in any payments owed to any Hired Employee for any wages, salaries, commissions, bonuses or other compensation for any services performed by them for the Seller up to the Closing Date or amounts required to be reimbursed to such employees for such services, (ii) any loans or other obligations payable or owing by the Seller to any officer, director or employee of the Seller with respect to the Business, however, for the avoidance of doubt, excluding any liabilities of the Seller to the Hired Employees which shall be the responsibility of the Buyer according to §6(e).

“*Seller*” has the meaning set forth in the preface above.

“*Seller Contracts*” means the contracts and other agreements listed in Schedule 1 AC.

"*Seller's Accounting Practices*" means GAAP, subject to being on a consistent basis with the accounting policies and practices used by the Seller in the preparation of its audited financial statements for fiscal year ended June 30, 2007.

"*Statement of Objection*" has the meaning set forth in §2(d)(ii) below.

"*Survival Period*" shall mean, with respect to any representation or warranty contained in §3 or §4 hereof, a period of one (1) year starting on and including the Closing Date except for the guarantee of the Buyer under §4(e) hereof, for which the period shall not lapse before the determination of the Closing Balance Sheet and the Closing Net Working Capital is final and binding between the Parties (provided, however, that no matters involving fraud shall be subject to any Survival Period).

"*Tangible Personal Property*" means all machinery, equipment, tools, furniture, office equipment, fixtures, computer hardware, supplies, materials, vehicles and other items of tangible personal property (other than Inventories) of every kind included in Schedule 1 AA (which schedule is intended to set forth all such types of property relating to the operation of the Business).

"*Tempurpedic*" means any entity belonging to the Tempurpedic International, Inc group companies as further identified under http://www.tempurpedic.com.

"*Territory*" means USA, Canada and Mexico.

"*Transfer Date*" has the meaning set forth in §6(d)(ii) below.

"*Transfer Employees*" has the meaning set forth in §6(e)(iii) below.

"*Third-Party Claim*" has the meaning set forth in §8(d) below.

§ 2 Basic Transaction

(a) *Purchase and Sale of Assets*. On and subject to the terms and conditions of this Agreement, Buyer agrees to purchase from Seller, and Seller agrees to sell, transfer, convey, and deliver to Buyer, all of the Acquired Assets at the Closing for the consideration specified below in this §2. For the avoidance of doubt the Parties wish to clarify that any and all receivables of the Seller shall not be transferred to the Buyer, but shall remain with the Seller and that as far as receivables of the Seller against the Buyer are concerned, the Buyer shall settle these receivables in the Ordinary Course of Business, including any and all outstanding Boyteks Receivables.

The Acquired Assets specified in §3(d) of the Disclosure Schedule are encumbered by liens of RBC Bank, 200 Providence Road Suite 300, Charlotte, NC 28207 ("RBC Bank"). RBC Bank will release the liens upon payment of an amount equal to US$ 204,900.08 according to the confirmation of RBC Bank attached hereto as Schedule 2(a) or any other amount as indicated from the Seller to the Buyer on or prior to Closing in writing (it being understood that any such amounts paid at Closing to RBC Bank by Buyer will be deducted from the amount received by Seller at Closing).

(b) *Assumption of Liabilities*. On and subject to the terms and conditions of this Agreement, Buyer agrees to assume, discharge, perform and be responsible for all of the Assumed Liabilities at the Closing. Buyer will not assume discharge, perform or be responsible, however, with respect to any other obligation or liability of Seller that is not expressly included within the definition of Assumed Liabilities, it being understood that such other obligations and liabilities (referred to herein as "*Retained Liabilities*") will be retained by the Seller.

(c) *Preliminary Purchase Price*.

The consideration paid by the Buyer for the Acquired Assets will consist of the following:

(i) the payment of US$10,500,000 (the "**Preliminary Purchase Price**"), as may be adjusted pursuant to §2(d) below (as so adjusted, the "**Purchase Price**");

(ii) the assumption of the Assumed Liabilities.

Post-Closing Purchase Price Adjustment.

(i) Closing Statement. As soon as reasonably practicable following the Closing Date, and in any event within thirty (30) days after the Closing Date, Seller shall prepare and deliver to Buyer: (i) an unaudited consolidated balance sheet for the Business ("**Closing Balance Sheet**") as of the end of the day on the Closing Date and (ii) a calculation of the combined Net Working Capital (the "**Closing Net Working Capital**") as determined from the Closing Balance Sheet. The Closing Balance Sheet shall be prepared on a consistent basis with the Sellers' Accounting Practices.

In the event Inventories need to be written off according to Sellers' Accounting Practices or applicable accounting rules on the Closing Balance Sheet, such write offs shall not be reflected in the Closing Net Working Capital.

(ii) Adjustment to and Final Closing Net Working Capital; Resolution of Disputes. If the Buyer disagrees with the calculation of the Closing Net Working Capital or any element of a Closing Balance Sheet relevant thereto, Buyer shall notify Seller of such disagreement in writing (the "**Statement of Objection**"), setting forth in reasonable detail the particulars of such disagreement and providing its calculation in reasonable detail of the Closing Net Working Capital within thirty (30) days after its receipt of the Closing Balance Sheet. In the event Buyer does not provide such Statement of Objection within such thirty (30) day period (or earlier provides written notice of its acceptance of the calculations of Closing Net Working Capital prepared by Seller), Buyer shall be deemed to have accepted the Closing Balance Sheets and the calculation of the Closing Net Working Capital delivered by Seller, which shall, in the absence of fraud or manifest error, be final, binding and conclusive for purposes of this §2(d). In the event any Statement of Objection is timely provided, Seller and Buyer shall use commercially reasonable efforts for a period of fifteen (15) days (or such longer period as they may mutually agree) to resolve any disagreements with respect to the calculation of Closing Net Working Capital. If, at the end of such period, they are unable to resolve such disagreements, then all issues having a bearing on such disagreement shall be referred to the Accounting Expert for resolution in accordance with §2(d)(iv). The date on which the Closing Net Working Capital is finally determined in accordance with this §2(d) is hereinafter referred to as the "**NWC Determination Date**."

(iii) Working Capital Adjustment Calculation. In the event that Closing Net Working Capital is not equal to the estimated closing net working capital and as set forth on Schedule 2 NWC attached hereto (“**Estimated Closing Net Working Capital**”), there shall be calculated a “**Post Closing Adjustment Amount**”, equal to the difference between (x) the Closing Net Working Capital and (y) the Estimated Closing Net Working Capital.

(A) In the event that the Closing Net Working Capital is greater than the Estimated Closing Net Working Capital, such excess is referred to herein as the “**Excess Net Working Capital**.”

(B) In the event that the Closing Net Working Capital is less than the Estimated Closing Net Working Capital, such deficiency is referred to herein as the “**Net Working Capital Deficiency**.”

(C) If there is a Net Working Capital Deficiency, within five (5) Business Days of the NWC Determination Date, Seller shall pay to Buyer one hundred percent (100%) of any Net Working Capital Deficiency (such amount shall be referred to herein as the “**Net Working Capital Deficiency Payment Amount**”). Any such Net Working Capital Deficiency Payment Amount shall be paid by wire transfer of immediately available funds to the account(s) designated in writing by Buyer.

(D) If there is Excess Net Working Capital, within five (5) Business Days of the Determination Date, Buyer shall pay to Seller one hundred percent (100%) of any Excess Net Working Capital (such amount shall be referred to herein as the “**Excess Net Working Capital Payment Amount**”). Any such Excess Net Working Capital Payment Amount shall be paid by wire transfer of immediately available funds to the account(s) designated in writing by Seller.

(iv) Resolution of Adjustment Disputes. The "**Accounting Expert**" means, for the purposes of this Agreement, McGladrey & Pullen, or in the event that such firm is unable or unwilling to take on such assignment, such other accounting firm as is mutually agreed to by Seller and Buyer. The Accounting Expert shall, in resolving any disagreements referred to it pursuant to §2(d), act as an expert and not an arbitrator. The parties will reasonably cooperate with the Accounting Expert during the period of the Accounting Expert's engagement. The Accounting Expert shall determine as promptly as practicable (but in no event later than thirty (30) days following its engagement), and as applicable depending on which (if any) matters are referred to it pursuant to §2(d), whether with respect to Closing Net Working Capital (A) the Buyer's preparation of the Closing Balance Sheet or calculations of the Closing Net Working Capital was in accordance with GAAP or the Seller's Accounting Practices, (B) the amounts set forth in the Closing Balance Sheets or the Closing Net Working Capital were obtained from and in accordance with the books and records of the Buyer relating to the Acquired Assets and Assumed Liabilities and in a manner consistent with the Sellers' Accounting Practices, and/or (C) there were any errors of fact or mathematical errors in the Closing Balance Sheet or the Closing Net Working Capital. In resolving a disputed item, the Accounting Expert may not assign a value to any particular item greater than the greatest value for such item claimed by either Party to the dispute or less than the smallest value for such item claimed by either such Party, in each case as presented in writing to the Accounting Expert. Within fifteen (15) days after the engagement of the Accounting Expert, Seller and Buyer shall present their respective positions with respect to the items set forth in the Statement of Objections in the form of a written binder of supporting materials to the Accounting Expert and the other Party to the dispute and no ex parte conferences, oral examinations, testimony, depositions, discovery or other form of evidence gathering or hearings shall be conducted or allowed; provided that, at the Accounting Expert's request, or as mutually agreed by Seller and Buyer, Seller and Buyer may meet with the Accounting Expert so long as representatives of both Seller and Buyer are present. The supporting binders shall set forth the arguments supporting the applicable Party's position, along with such supporting materials and other information (including facts and figures) as such Party shall desire. Seller and Buyer will also furnish to the Accounting Expert such other work papers, documentation and information directly relating to the disputed items as the Accounting Expert may reasonably request. The Buyer may require that the Accounting Expert enter into a customary form of confidentiality agreement with respect to the work papers and other documents and information regarding the Acquired Assets and Assumed Liabilities provided to the Accounting Expert pursuant to this § 2(d)(iv). Seller and Buyer will each use their commercially reasonable efforts to cause the Accounting Expert to deliver to Seller and Buyer its determination in writing within thirty (30) days following its engagement, which determination shall be made subject to the definitions and principles set forth in this Agreement and shall be binding on both Seller and Buyer (i) consistent with either the position of Seller or Buyer or (ii) between the positions of Seller and Buyer. In the absence of fraud or manifest error, the determination of the Accounting Expert shall be final, conclusive and binding on the Parties. The fees and expenses of the Accounting Expert shall be allocated ratably among Seller, on the one hand, and Buyer, on the other hand, in the same proportion that the aggregate dollar amount of items unsuccessfully disputed by each such party (as finally determined by the Accounting Expert) bears to the aggregate dollar amount of all disputed items submitted to the Accounting Expert. With respect to other costs, Seller, on one hand, and Buyer, on the other hand, shall pay their own costs in connection with the determination made pursuant to this §2(e)(iv), including the fees and expenses of their respective attorneys and accountants, if any.

(v) Adjustments to Purchase Price. The purpose of §2(d) is to determine the Purchase Price to be paid by the Buyer under this Agreement. Accordingly, any adjustment pursuant to such section will neither be deemed to be an indemnification pursuant to Article 8, nor preclude the Buyer from exercising any indemnification rights pursuant to Article 8. Any payment made pursuant to §2(d) will be treated by the parties for all purposes as an adjustment to the Preliminary Purchase Price.

(e) *The Closing*. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place on date of signing of this Agreement or such other date as the Parties may mutually determine (the "**Closing Date**").

Deliveries at the Closing by Seller. At the Closing Seller will deliver to Buyer:

(i) a bill of sale in the form of Exhibit A for all of the Acquired Assets that are tangible personal property (the "**Bill of Sale**"), executed by Seller;

(ii) an assignment and assumption agreement in the form of Exhibit B for all of the Acquired Assets that are intangible personal property (other than Intellectual Property) (which assignment will also contain Buyer's undertaking and assumption of the Assumed Liabilities) (the "**Assignment and Assumption Agreement**"), executed by Seller;

(iii) an assignment agreement in the form of Exhibit C for Intellectual Property ("**IP Assignment Agreement**") included in the Acquired Assets, executed by Seller;

(iv) the Consulting and Development Agreement, Leasehold Assignment and Release Agreement, Agency Agreement and Authorized Dealer Termination Agreement in the forms as Exhibits D through G (collectively referred to as "**Ancillary Agreements**"), executed by Seller or the other applicable party thereto;

Deliveries at the Closing by Buyer. At the Closing, Buyer will

(i) pay (x) USD 10,295,099.92 by wire transfer to the Seller to a bank account specified by Seller and (y) USD 204,900.08 or any other amount as indicated by Seller in writing to the Buyer according to §2(a) hereof to the account of RBC Bank as indicated in Schedule 2(a); for the avoidance of doubt, the Seller shall be entitled to demand payment from the Buyer of the amount indicated by RBC Bank in writing required for the release of the liens on the Acquired Assets specified on §3(d) of the Disclosure Schedule only to RBC Bank;

(ii) deliver the Ancillary Agreements, executed by Buyer;

(iii) deliver evidence satisfactory to Seller that Buyer has offered employment to the persons specified on §3(k) of the Disclosure Schedule (the "Hired Employees") on substantially the same employment terms and with substantially the same benefits as such Hired Employees receive from Seller (it being acknowledged that, for purposes of the foregoing, the Buyer's existing benefits are substantially the same as the Seller's).

(iv) a delivery notice duly signed by the Buyer in the form as set forth in Exhibit H ("Delivery Notice").

(h) *Consents to Assignment*. Seller Contracts requiring the consent of a third-party in order to assign the same are so indicated on Schedule 1 AC. To the extent that the assignment of any Seller Contract requires the consent of another person, this Agreement will not constitute an agreement to assign such Seller Contract if an attempted assignment would constitute a breach thereof. Buyer will use all reasonable efforts to obtain any required consents to the assignment of each Seller Contract. If and as long as a required consent to the assignment of a Seller Contract is not obtained, Seller and Buyer will put each other in a position they would be if such Seller Contract had been validly assigned to the Buyer on the Closing Date. Seller will cooperate with Buyer to provide for Buyer the risks and benefits associated with such Seller Contract, including enforcement, at the cost of and for the benefit of Buyer, of any and all rights of Seller against any other party. The Buyer shall indemnify the Seller for all and any liabilities under Seller Contracts that become due on or after the Closing Date. The Seller will exercise all rights under such Seller Contracts according to the instructions and at the costs of the Buyer. The Seller is entitled to duly terminate such Seller Contract if the Buyer fails in obtaining the consent of all other parties to the assignment of the respective Seller Contract within 6 (six) months after the Closing Date.

(i) *Allocation*. Seller shall prepare an allocation of the Purchase Price (and all other capitalized costs) among the Acquired Assets in accordance with Code §1060 and the Treasury regulations thereunder. Such amounts will be adjusted in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder as a result of any adjustments to the Preliminary Purchase Price pursuant to §2(d) hereof or any other provision of this Agreement. Seller shall deliver such proposed allocation to Buyer within 60 days after the Closing Date. Such proposal shall be subject to the approval of the Buyer, which approval shall be timely and not unreasonably withheld. Upon such approval, Seller and Buyer and its Affiliates shall report, act and file Tax Returns (including, but not limited to Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation as is agreed upon. Buyer shall timely and properly prepare, execute, file and deliver all such documents, forms and other information as Seller may reasonably request to prepare such allocation. The Seller and the Buyer (x) will be bound by the allocation contained in the allocation schedule for purposes of determining any and all consequences with respect to taxes of the transactions contemplated herein, (y) will prepare and file all tax returns to be filed with any tax authority in a manner consisting with the allocation schedule, and (z) will take no position inconsistent with the allocation schedule on any tax return, any discussion with or proceeding before any tax authority, or otherwise. In the event that the allocation schedule is disputed by any tax authority, the party receiving notice of such dispute will promptly notify the other party thereof and both parties will defend the allocation schedule in all reasonable ways.

§ 3 Seller's Representations and Warranties

Seller and the Shareholder jointly and severally represent and warrant to Buyer that the statements contained in this §3 are correct and complete as of the date of this Agreement, except as set forth in the Disclosure Schedule accompanying this Agreement and initialed by the Parties (the "Disclosure Schedule") (it being understood that the Shareholder shall have no responsibility for any of the following representations and warranties that do not relate specifically to the Shareholder, unless the Seller fails to perform its obligations as set forth in §6(f)).

(a) *Organization, Etc.*

(i) The Seller is a domestic limited partnership duly formed, validly existing and in good standing under the laws of the State of North Carolina. The General Partner is a corporation duly incorporated, validly existing and in good standing under the laws of the State of North Carolina. The Seller has full limited partnership power and authority to own or use the Acquired Assets and to conduct its business as presently conducted. The General Partner has full [corporate] power and authority to act as general partner of the Seller and to enter into this Agreement and to consummate the transactions contemplated hereby on behalf of the Seller. Unless disclosed in § 3(a)(i) of the Disclosure Schedule, the Seller is duly qualified to do business as a limited partnership and is in good standing in all the states, provinces and jurisdictions in which either the nature of the activities of the Seller, or the ownership or use of the Acquired Assets, makes such qualification necessary, except where failure to so qualify would not reasonably be expected to have a Material Adverse Effect. No other jurisdiction has given written notice to the Seller indicating that the Seller should be qualified in any other jurisdiction.

(ii) Shareholder is a limited liability partnership duly formed, validly existing and in good standing under the laws of Germany.

(b) *Authorization of Transaction*. The General Partner has the absolute and unrestricted right, authority, power and capacity to (i) execute and deliver this Agreement and each certificate, document and agreement to be executed by the Seller in connection herewith on behalf of the Seller (the certificates, documents and agreements to be executed by the General Partner on behalf of the Seller or by the Shareholder in connection with this Agreement, collectively, the "Seller Documents") and (ii) perform the obligations of the Seller hereunder and thereunder. The Shareholder has the absolute and unrestricted right, authority, power and capacity to (i) execute and deliver each Seller Document to which it is party and (ii) perform the obligations of the Shareholder hereunder and thereunder. The execution and delivery of this Agreement and the Seller Documents and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by the Seller, the General Partner and the Shareholder, and no other proceedings on the part of the Seller, the General Partner or the Shareholder are necessary to authorize this Agreement or any Seller Document or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly and validly executed and delivered by the General Partner on behalf of the Seller and the Shareholder and constitutes a legal, valid and binding obligation of each of the Seller and the Shareholder, enforceable against such Party in accordance with its terms. Upon execution and delivery by the Seller, the General Partner and the Shareholder of each Seller Document to which it is a party, such Seller Document shall constitute a legal, valid and binding obligation of the Seller, the General Partner and the Shareholder in each case enforceable against it in accordance with its terms.

(c) *Non-contravention*. To the Knowledge of any Responsible Officer, the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2 above), will violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Seller is subject or any provision of the charter or bylaws of Seller.

(d) *Title to Tangible Assets*. Except as set forth in §3(d) of the Disclosure Schedule, Seller owns good and valid title to all of the Acquired Assets, whether tangible or intangible, that it purports to own, including all of the Acquired Assets reflected on the Interim Balance Sheet (except for Acquired Assets held under capitalized leases and Acquired Assets sold since the date of the Interim Balance Sheet in the Ordinary Course of Business), free and clear of all the Liens except for the Permitted Liens.

(e) *Inventories*.

(i) To the Knowledge of any Responsible Officer, all Non-Culp Suppliers Inventories are in all material aspects of a quality useable and with respect to finished goods, sellable in the Ordinary Course of Business, except where provided for on the Seller's books and records.

(ii) To the Knowledge of any Responsible Officer, the Seller has not caused any damage to the Culp Suppliers Inventories that would impair their quality in any material aspect and with respect to finished goods, would make them non-sellable in the Ordinary Course of Business, except where provided for on the Seller's books and records. Any damage to the Culp Suppliers Inventories caused by any subcontractor of the Seller processing the Culp Suppliers Inventories shall not be imputed to the Seller.

(iii) The Seller shall not be liable under §3(e)(i) and (ii) for any damages to the Inventories that have been caused by Beverly Knits or Colortex USA or an independent contractor of the Seller transporting or otherwise handling the Inventories.

(iv) All of the Inventories are located on the real property leased by the Seller from Affiliates of the Buyer, are kept with Beverly Knits, Colortex USA or are in transit.

(f) *Tangible Personal Property*. To the Knowledge of any Responsible Officer, each item of Tangible Personal Property of Seller that will be included in the Acquired Assets is in all material aspects in good operating condition and repair, ordinary wear and tear excepted and is suitable for immediate use in the Ordinary Course of Business.

(g) *Recent Changes*. Since January 31, 2008, there has not been any Material Adverse Change. Other than the entry into this Agreement, since January 31, 2008, the Seller has not engaged in any practice, taken any action, or entered into any material transaction outside the Ordinary Course of Business.

(h) *Legal Compliance*. To the Knowledge of any Responsible Officer, the Seller has complied in all material respects with all applicable laws (including statutes, rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign governments (and all agencies thereof).

(i) *Intellectual Property*.

§3(i) of the Disclosure Schedule identifies each patent or registration in respect of any other item of intellectual property of the Seller, identifies each pending patent application or other application for registration that Seller has made with respect to any of its intellectual property, and identifies each material license, agreement, or other permission that Seller has granted to any third party with respect to any of its intellectual property (including the Intellectual Property). To the Knowledge of the Responsible Officers (i), the use by the Seller of the Intellectual Property in connection with the Business does not infringe on the rights of any third party with respect to such Intellectual Property, and (ii) no third party is currently making use of such Intellectual Property in a manner that infringes on the rights of the Seller therein.

(j) *Contracts*. §3(j) of the Disclosure Schedule lists all Seller Contracts and all other contracts and other agreements to which the Seller is a party and the performance of which will involve consideration in excess of $50,000. Seller has delivered to Buyer a correct and complete copy of each written Seller Contract (as amended to date) listed in §3(j) of the Disclosure Schedule.

(k) *Employees*.

(i) §3(k) of the Disclosure Schedule contains an accurate list of the following information for each Hired Employee of the Seller: name; job title; date of birth; date of hiring; whether employment is subject to the terms of any employment agreement; current compensation paid or payable, any disability status, terms of severance (if any), and sick and vacation leave accrued. To the Knowledge of any Responsible Officer, no Hired Employee plans to refuse to accept employment with Buyer.

(ii) To the Knowledge of any Responsible Officer, no Hired Employee with respect to the Business is a party to, or otherwise bound by, any agreement or arrangement, including any confidentiality, non-competition, or proprietary rights agreement, between such Hired Employee and any other Person that in any way has adversely affected up to the Closing Date (i) the performance of his or her duties as an employee of the Seller, (ii) the ability of the Seller to conduct the Business or (iii) the ability of such individual to assign to the Seller any rights under any invention, improvement or discovery.

(iii) The Seller has provided to the Buyer access to true and complete copies of all employment manuals of the Seller.

(iv) There are no outstanding EEOC, OSHA or workers compensation claims with respect to the Buyer or the Business.

(l) *Litigation*. Except as set forth in §3(l) of the Disclosure Schedule, there is no suit, claim, action or proceeding pending or, to the Knowledge of any Responsible Officer, threatened, against Seller with respect to the Business.

(m) *Financial Statements*. The Seller has delivered to the Buyer true and correct copies of each of the Financial Statements. As far as the Financial Statements have been audited, they have been prepared in accordance with GAAP. All Financial Statements (i) present the results of operations, cash flows and financial position of the Seller or the periods and as of the dates referred to therein (as far as the Financial Statements have been audited, all in accordance with GAAP), and (ii) are consistent with the books and records of the Seller.

(n) *Benefit Plans*. Except as set forth in §3(n) of the Disclosure Schedule, neither the Seller nor any ERISA Affiliate thereof maintains, participates in or contributes to any Plans.

(o) *Environmental Matters*. To the Knowledge of any Responsible Officer, except as would not reasonably be expected to have a Material Adverse Effect, the Seller has not caused any contamination or pollution of the soil or the ground water of the property, on which Seller's Business has been conducted in the past by an act or omission that has not been in compliance with any Environmental Laws, including but not limited to the improper handling of Hazardous Substances. The Seller shall not be liable to the Buyer hereunder if and to the extent the circumstances leading to a breach of this guarantee also constitute a breach by the Seller of the lease agreement entered into between the Seller and Partnership 52 Associates dated January 1, 2005 as amended by an undated amendment.

(p) *Disclaimer of Other Representations and Warranties*. Except as expressly set forth in this §3, Seller makes no representation or warranty, express or implied, at law or in equity, in respect of any of its assets (including, without limitation, the Acquired Assets), liabilities or operations, including, without limitation, with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed. Buyer hereby acknowledges and agrees that, except to the extent specifically set forth in this §3, Buyer is purchasing the Acquired Assets on an "as-is, where-is" basis. Without limiting the generality of the foregoing, Seller makes no representation or warranty regarding any assets other than the Acquired Assets or any liabilities other than the Assumed Liabilities, and none shall be implied at law or in equity.

§ 4 Buyer's Representations and Warranties, Covenants

Buyer represents and warrants to Seller that the statements contained in this §4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this §4), except as set forth in the Disclosure Schedule. The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this §4.

(a) *Organization of Buyer*. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of North Carolina.

(b) *Authorization of Transaction*. Buyer has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of Buyer, enforceable in accordance with its terms and conditions. The execution, delivery and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by Buyer.

(c) *Non-contravention*. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in §2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Buyer is subject or any provision of its charter, bylaws, or other governing documents or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets are subject. Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in §2 above), other than certain required consents of parties to certain contracts, which consents will have been obtained as of the Closing.

(d) *Independent Investigation*. The Buyer has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, and prospects of the Business, which investigation, review and analysis was done by the Buyer and its representatives. The Buyer acknowledges that it and its representatives have been provided adequate access to the personnel, properties, premises and records of the Business for such purpose. In entering into this Agreement, the Buyer acknowledges that it has relied in part upon the aforementioned investigation, review and analysis and not on any factual representations or opinions of the Seller or its representatives (except the Seller Representations and the Disclosure Schedule). The Buyer hereby acknowledges and agrees that (a) other than the Seller Representations, none of the Seller, any other member of the Seller Group, or any of their respective officers, directors, employees or representatives make or have made any representation or warranty, express or implied, at law or in equity, with respect to the Business, the Acquired Assets or the Assumed Liabilities including as to (i) merchantability or fitness for any particular use or purpose, (ii) the operation of the Business by the Buyer after the Closing in any manner or (iii) the probable success or profitability of the Business after the Closing, and (b) other than the indemnification obligations of the Seller and the Shareholder set forth in § 8 and subject to the limitations in § 6(f) hereof, none of the Selling Parties, or any of their respective officers, directors, employees or representatives will have or will be subject to any liability or indemnification obligation to the Buyer or any other person resulting from the distribution to the Buyer, its Affiliates or representatives of, or the Buyer's use of, any information relating to the Business including, without limitation, any descriptive memoranda, summary business descriptions or any information, documents or material made available to the Buyer or its representatives, whether orally or in writing, in certain "data rooms," management presentations, functional "break-out" discussions, responses to questions submitted on behalf of the Buyer or in any other form in expectation of the contemplated transactions.

(e) *Accounting Expert*

The Buyer represents that neither the Buyer nor any of its affiliates has had any business relationship with the Accounting Expert in the last five years before the Closing Date or will enter into any with the Accounting Expert until the determination of the Closing Balance Sheet and the Closing Net Working Capital is final and binding between the Parties.

§ 5 [Reserved]

§ 6 Post-Closing Covenants

The Parties agree as follows with respect to the period following the Closing:

(a) *General*. In case at any time after the Closing any further actions are necessary to carry out the purposes of this Agreement, each of the Parties will take such further actions (including the execution and delivery of such further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefore under §8 below).

(b) *Litigation Support*. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Business, the other Party will cooperate with the contesting or defending Party and its counsel in the contest or defense, make available its personnel, and provide such testimony and access to its books and records as shall be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefore under §8 below).

(c) *Non-Competition Agreement*.

(i) Each of the Seller and the Shareholder acknowledges that (A) the Business maintains relationships with customers and suppliers throughout the Territory; (B) the Products and services related to the Business are marketed throughout the Territory; (C) the Business competes with other businesses that are or could be located in any part of the world; (D) the Buyer has required that each of the Seller and the Shareholder make the covenants set forth in this §6(c) as a condition to the Buyer’s consummation of the transactions contemplated by this Agreement and would not otherwise consummate such transactions; (E) the provisions of this §6(c) are reasonable and necessary to protect and preserve the Buyer’s interests in the Business and the operation of the Business from and after the Closing Date; (F) the Seller and the Shareholder will benefit from the consummation of the transactions contemplated by this Agreement; and (G) the Buyer would be irreparably damaged if the Seller or the shareholder or any of their respective Affiliates were to breach the covenants set forth in this §6(c).

(ii) As an inducement for the Buyer to enter into this Agreement and in consideration for the Buyer’s consummation of the transactions contemplated hereby (including the payments made to the Seller in connection with such consummation), with the intent to maintain a collaborative relationship between the Parties, each of the Seller and the Shareholder agrees that for a period of six years following the Closing Date (such period, the “**Term**”), such Selling Parties shall not sell running meters of Products in the Territory, excluding, for the avoidance of doubt, (x) any sewn panel mattress covers and sewn single jersey fire protectors/socks, and (y) the sale of all and any products to IKEA and/or any direct or indirect suppliers of IKEA in the Territory (it being understood that nothing herein shall limit the Buyer’s ability to sell products to IKEA or any direct or indirect supplier of IKEA) and (z) the sale of any and all Products, sewn panel mattress covers and sewn single jersey fire protectors/socks to Tempurpedic and/or any direct or indirect suppliers of Tempurpedic (the exception set forth in this clause (z) being referred to as “Seller’s Tempurpedic Exception”). The Buyer and its affiliates may not sell or deliver any Product, sewn panel mattress covers and sewn single jersey fire protectors/socks to Tempurpedic and/or any direct or indirect suppliers of Tempurpedic (the “Buyer’s Tempurpedic Restriction”). In the event that a majority of shares in Tempurpedic or a substantial portion of the assets of the Tempurpedic business are sold to a third-party (a “Successor Business”), then for purposes of this § 6(c)(ii) the Seller and the Shareholder shall not have the benefit of the Seller’s Tempurpedic Exception and the Buyer shall not be bound by the Buyer’s Tempurpedic Restriction, except to the extent that the Successor Business either (x) operates such Tempurpedic business through a separate subsidiary or other distinct business unit or (y) relates to or involves Tempurpedic-branded visco foam mattresses.

(iii) The foregoing restriction under §6(c)(ii) is limited to direct sales of running meters of Products by Selling Parties or Selling Parties' affiliates or representatives in the Territory. The Selling Parties agree that, in the event the Buyer obtains knowledge thereof, the Buyer may inform either Selling Party of any distributor or agency or similar arrangement with which either Selling Party has established a distributor, agency or similar commercial arrangement that permits the sale of running meters of Products into the Territory, whether such distributor or agency is supplying the running meters of Products to the Territory. In the event the Buyer so informs either Selling Party, the Selling Parties shall use their reasonable best efforts to prevent the distributor or agency to supply such Products to the Territory. If the distributor or agency does not cease to supply running meters of the Products to the Territory within 2 months after the Selling Parties have been informed by Buyer, the Selling Parties shall terminate the distributor, agency or similar commercial arrangement with the respective distributor or agency, whereas the termination shall be effective at the earliest possible date in accordance with the terms and conditions of such arrangement. Any sale of running meters of Products into the Territory by any such distributor or agent after (1) the termination has become effective and (2) the distributor or agency has sold off any running meters of Products on stock delivered by either Selling Party under the terminated distribution, agency or similar commercial arrangement shall constitute a violation of this § 6(c), unless the running meters of Products such distributor or agency is supplying into the Territory have not been delivered by the Selling Parties or any Affiliates of the Selling Parties.

(iv) In the event of a breach by the Seller, the Shareholder or any of their respective Affiliates of any covenant set forth in this §6(c), the Term of such covenant with respect to such Person shall be extended by the period of the duration of such breach.

(v) If any provision or part of this §6(c) is unenforceable because of its duration or its geographic coverage, or because it is too expansive in any other respect, the parties hereto agree to modify this §6(c), and that the court making such determination shall have the power to interpret and modify this §6(c), to reduce the duration, the geographic coverage, or such other provision and to delete specific words or phrases herefrom ("**blue-penciling**"), so that this §6(c) shall extend over the longest time, the largest geographic area and in any other respect as is enforceable under applicable law and, in its reduced or blue-penciled form, such provision shall then be enforceable and shall be enforced.

(vi) The parties to this Agreement agree that the covenants in this Agreement impose a reasonable restraint on the Seller and the Shareholder and their respective Affiliates in light of the activities and business of the Buyer and its Affiliates. In addition, the restrictions set forth in this §6(c) as to the Seller and the Shareholder may be waived in writing by the board of directors of the Buyer, upon the written request of such Person.

(vii) Each of the Seller and the Shareholder acknowledges that the injury that would be suffered by the Buyer as a result of a breach of the provisions of this Agreement (including any provision of this §6(c) would be irreparable and that an award of monetary damages alone to the Buyer for such a breach would be an inadequate remedy. The Buyer shall have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Buyer shall not be obligated to prove actual damages or to post bond or other security in seeking such relief.

(d) *Agency Agreement*. The Selling Parties and the Buyer will enter into the Agency Agreement attached as Exhibit F.

(e) *Employees*.

(i) Effective as of the Closing Date, Buyer shall offer employment to each Hired Employee (including those on vacation, approved leave of absence, or long or short term disability) on terms and conditions consistent with this §6(e). Except as otherwise specifically set forth in this §6(e), neither Seller nor any of its Affiliates shall have any responsibility whatsoever for any liabilities and obligations which relate in any way to any Hired Employee or any current or former employee of the Seller (except for any such liabilities or obligations that shall have arisen prior to the Closing), and Buyer and its Affiliates shall be responsible for satisfying all liabilities and obligations arising from and after Closing which relate in any way to any Hired Employee of the Seller and any severance payments owed upon termination of such employees by Seller and subsequent hiring of such employees by Buyer, irrespective of whether such severance payments become due before, on or after Closing or whether the Hired Employees accepted the offer of the Buyer. Seller and Buyer shall each cooperate with the other and shall provide to the other such documentation, information and assistance as is reasonably necessary to effect the provisions of this §6(e). Buyer shall deliver to Seller, a reasonable period of time prior to distribution, copies of any offer letter (or other material correspondence with Hired Employees to be made prior to the Closing Date) for Seller's review and comment. Buyer will exercise its reasonable best efforts, subject to any applicable requirements of law, to ensure that the benefit plans of the Buyer treat employment with Seller prior to the Closing Date the same as employment with any of Buyer and its subsidiaries from and after the Closing Date for purposes of eligibility, vesting, and benefit accrual.

(ii) Nothing in this §6(e) shall create any third party beneficiary right in any Person other than the parties to this Agreement, including any current or former Hired Employee, any participant in any Plan, or any dependent or beneficiary thereof, or any right to continued employment with the Seller, Buyer or any of their respective Affiliates. Nothing in this §6(e) shall constitute an amendment to any Plan or any other plan or arrangement covering Hired Employees. Seller and Buyer shall each cooperate with the other and shall provide to the other such documentation, information and assistance as is reasonably necessary to effect the provisions of this §6(e). In the event that Buyer or the Seller or any of their respective successors and assigns (i) consolidates with or merges into any person and is not the continuing or surviving corporation or entity in such consolidation or merger, or (ii) transfers all or substantially all of its assets to any person or entity, then, in each case, proper provision shall be made so that the successors and assigns of Buyer or the Seller honor the obligations of Buyer set forth in this §6(e).

(iii) Throughout the two-year period immediately after the Closing, neither the Seller nor the Shareholder shall, nor shall either Seller or the Shareholder permit any of its Affiliates to, at any time, directly or indirectly, entice away any of the Hired Employees from the Buyer without the prior written consent of the Buyer (which written consent shall be effective only as to the Hired Employee specified therein and to no other Person, and such written consent shall not be unreasonably withheld for those Transfer Employees that are terminated by the Buyer). The foregoing sentence shall apply *mutatis mutandis* to the Buyer with respect to the employees of the Seller.

(f) *Liquidation of Seller*.

(i) Until the later of (1) the expiration of the Survival Period and (2) the date as of which all indemnification claims (x) that shall have been asserted by Buyer in writing against the Seller on or before the date of expiration of the Survival Period and (y) with regard to which the Buyer has initiated within three months after asserting such claims in writing an arbitration proceeding according to the terms of this Agreement shall have been fully satisfied or resolved by the parties, the Seller shall (1) at all times maintain net assets or equity of not less than $1,500,000 and (2) within 30 days after the end of each fiscal quarter, furnish to the Buyer a balance sheet demonstrating compliance with the foregoing as of the end of such fiscal quarter, beginning with the fiscal quarter ending September 30, 2008.

(ii) In the event the Seller complies with the foregoing, it is understood that the Seller shall have no responsibility for (1) any warranties in § 3 hereof that do not relate specifically to the Shareholder or (2) any indemnification obligations as set forth in § 8 hereof. In the event the Seller fails to comply with the foregoing, it is understood that the Seller and the Shareholder shall have joint and several liability for such warranties and indemnification obligations, subject to the limitations set forth in § 8.

(g) *Access to Information*. Subject to compliance with contractual obligations and applicable requirements of law, during the five-year period following the Closing, after not less than five days prior written notice, the Buyer, on the one hand, and the Seller and the Shareholder, on the other shall each afford to the other Party, and to such Party's authorized accountants, counsel, bank auditors and other designated representatives, during normal business hours in a manner so as to not unreasonably interfere with the conduct of its business (i) reasonable access and duplicating rights to all non-privileged records, books, contracts, instruments, documents, correspondence, computer data and other data and information (collectively, "**Information**") within the possession or control of such Party to the extent such access may reasonably be required by the Party seeking access solely in connection with matters relating to or affected by the operations of the Business or the Seller, as to the Seller and the Shareholder, for periods prior to the Closing Date, and as to the Buyer, for periods on and after the Closing Date and (ii) reasonable access to the personnel of such Party. Requests may be made under this §6(g) for financial reporting and accounting matters, preparing financial statements, preparing and filing of any Tax Returns, prosecuting any claims for refund, defending any Tax claims or assessment, preparing securities law or securities exchange filings, prosecuting, defending or settling any litigation or insurance claim, performing obligations under this Agreement and the agreements contemplated hereby, and all other proper business purposes, but may not be made, and access and duplicating rights need not be afforded, under this §6(g) in connection with disputes between the Parties, including disputes as to indemnification hereunder.

(h) *Financial Statements*. Within the time periods mentioned in Schedule 6(h) or, if no time period is mentioned in Schedule 6(h), within 45 days after the Closing Date, the Selling Parties shall furnish to the Buyer the financial statements and information described on Schedule 6(h) attached hereto, and will otherwise cooperate with the Buyer to enable the Buyer to comply with its filing obligations under applicable securities laws.

(i) *Trademarks*. The Parties agree that the trademarks listed in Schedule 6(i) shall not be transferred to the Buyer. The Buyer shall be entitled to use these trademarks free of charge for a term of one year starting from Closing Date to the same extent the Buyer has used these trademarks prior to the Closing Date. After the one year term has expired or in case the Buyer wishes to expand the use of these trademarks, the Selling Parties are free, but not obligated to enter into a licensing or a comparable agreement with the Buyer.

(j) *Cost for Physical Inventory*. In the event this Agreement is closed before August 31, 2008, the Buyer shall be obligated to reimburse the Seller for any and all costs related to the pre-Closing physical inventory of the Inventories of Seller, if and to the extent Seller provides Buyer with invoices for any related expenses.

§ 7 [Reserved]

§ 8 Remedies for Breaches of This Agreement

(a) *Survival of Representations and Warranties*. All of the representations and warranties of Seller contained in §3 of this Agreement shall survive the Closing (unless Buyer knew or did not know due to gross negligence of any misrepresentation or breach of a warranty at the time of Closing in which case Buyer shall not be entitled to make a claim for breach of a representation or warranty included in this Agreement) and continue in full force and effect until the end of the Survival Period. A Party's consummation of the transactions contemplated hereby after waiving any of the conditions to its obligation to close (including the condition that the other Party's representations and warranties be true in all material respects) shall not limit or otherwise affect its rights to recover under this §8.

(b) *Indemnification Provisions for Buyer's Benefit*.

(i) In the event either the Seller or (subject to § 6(f)) the Shareholder breaches any of its representations, warranties, and covenants contained in this Agreement, and, provided that Buyer makes a written claim for indemnification against Seller pursuant to §10(g) below within the Survival Period, then Seller and (subject to § 6(f)) the Shareholder shall jointly and severally indemnify Buyer from and against the entirety of any Adverse Consequences Buyer shall suffer (but excluding any Adverse Consequences Buyer shall suffer after the end of any applicable Survival Period and any incidental, consequential or special Adverse Consequences) caused by the breach; provided, however, that Seller shall not have any obligation to indemnify Buyer from and against any Adverse Consequences caused by the breach of any representations or warranties contained in this Agreement (A) until Buyer has suffered Adverse Consequences by reason of an individual breach in excess of $ $10,000, (B) until all such individual breaches equal to or in excess of $ 10,000 exceed a deductible of $100,000 (after which point Seller will be obligated only to indemnify Buyer from and against further such Adverse Consequences) and thereafter (C) to the extent the Adverse Consequences Buyer has suffered by reason of any and all such breaches exceeds a $800,000 aggregate ceiling (after which point Seller will have no obligation to indemnify Buyer from and against further such Adverse Consequences) (D) to the extent that the Adverse Consequences arise from any matter of which Buyer had actual Knowledge or did not have actual Knowledge due to Buyer's gross negligence at or prior to the Closing.

(ii) Seller and (subject to § 6(f)) the Shareholder jointly and severally agree to indemnify Buyer from and against the entirety of any Adverse Consequences the Buyer shall suffer caused by any liability of Seller that is not an Assumed Liability (including any liability of Seller that becomes a liability of Buyer under any bulk transfer law of any jurisdiction, under any common law doctrine of de facto merger or successor liability, or otherwise by operation of law).

(iii) Each qualification and exception regarding materiality or Material Adverse Effect in each such representation or warranty, including those made in the certificate delivered at Closing, shall be disregarded and given no effect, so that Adverse Consequences are determined without regard to such qualifications and exceptions.

(c) *Indemnification Provisions for Seller's Benefit*.

(i) In the event the Buyer breaches any of its representations, warranties, and covenants contained in this Agreement, and, provided that Seller makes a written claim for indemnification against Buyer pursuant to §10(g) below within the Survival Period, then Buyer shall indemnify the Seller from and against the entirety of any Adverse Consequences Seller shall suffer (but excluding any Adverse Consequences Seller shall suffer after the end of any applicable Survival Period and any incidental, consequential or special Adverse Consequences) caused by the breach; provided, however, that the Buyer shall not have any obligation to indemnify the Seller from and against any Adverse Consequences caused by the breach of any representations or warranties contained in this Agreement (A) until Seller has suffered Adverse Consequences by reason of an individual breach in excess of $10,000, (B) until all such individual breaches equal to or in excess of $10,000 exceed a deductible of $100,000 (after which point Buyer will be obligated only to indemnify Seller from and against further such Adverse Consequences) and thereafter (C) to the extent the Adverse Consequences Seller has suffered by reason of any and all such breaches exceeds a $800,000 aggregate ceiling (after which point Buyer will have no obligation to indemnify Seller from and against further such Adverse Consequences) (D) to the extent that the Adverse Consequences arise from any matter of which Seller had actual Knowledge or did not have actual Knowledge due to Seller's gross negligence at or prior to the Closing.

(ii) Buyer shall indemnify Seller from and against the entirety of any Adverse Consequences suffered that are caused by any liability of Seller that is an Assumed Liability or that are associated with or arise from the sale or use of the Acquired Assets after the Closing, including with respect to third party claims.

(d) *Matters Involving Third Parties*.

(i) If any third party notifies any Party (the "**Indemnified Party**") with respect to any matter (a "**Third-Party Claim**") that may give rise to a claim for indemnification against the other Party (the "**Indemnifying Party**") under this §8, then the Indemnified Party shall promptly (and in any event within 5 Business Days after receiving notice of the Third-Party Claim) notify the Indemnifying Party thereof in writing.

(ii) The Indemnifying Party will have the right at any time to assume and thereafter conduct the defense of the Third-Party Claim with counsel of its choice; provided, however, that the Indemnifying Party will not consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party.

(iii) Unless and until the Indemnifying Party assumes the defense of the Third-Party Claim as provided in §8(d)(ii) above, the Indemnified Party may defend against the Third-Party Claim in any manner it may reasonably deem appropriate.

In no event will the Indemnified Party consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld).

(e) *Insurance Claims*.

All indemnification payments under this §8 shall be paid by the Indemnifying Party net of any insurance coverage to the extent that any proceeds of any insurance coverage are actually paid to the Indemnified Party. The Buyer shall be obligated to exhaust any of its insurance claims covering the damages leading to an indemnification payment under this §8. Before the Buyer has not exhausted such claims, the Buyer is not entitled to bring any claims against either of the Selling Parties under §§3 and 8 hereof.

(f) *Claims regarding Non-Culp Suppliers Inventories*.

In the event of a breach of §3(e)(i) the Buyer shall be obligated to exhaust any claims it may have against any suppliers of the Non-Culp Suppliers Inventories or any subcontractors processing the Non-Culp Suppliers Inventories with regard to the circumstances that lead to such breach. Before the Buyer has not exhausted such claims, the Buyer is not entitled to bring any claims against either of the Selling Parties under §§3(e)(i) and 8 hereof.

(g) *Exclusive Remedy*. Buyer and Seller acknowledge and agree that the foregoing indemnification provisions in this §8 shall be the exclusive remedy of Buyer with respect to any Acquired Assets and Assumed Liabilities and any transactions contemplated by this Agreement.

§ 9 Termination

(a) *Termination of Agreement*. This Agreement may be terminated at any time prior to the Closing:

(i) by mutual written consent of Seller and Buyer;

(ii) by written notice by Seller to Buyer or Buyer to Seller, as the case may be, in the event the Closing has not occurred on or prior to October 1, 2008 (the "**Outside Date**"); *provided*, *however*, that the right to terminate this Agreement under this §9(a)(ii) shall not be available to any Party whose breach of this Agreement or delay or nonperformance of any term of this Agreement has been the primary cause of, or primarily resulted in, the failure to consummate the transactions contemplated by this Agreement or before the Outside Date;

(iii) by either Seller or Buyer if any court of competent jurisdiction or governmental entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the Closing or the transactions contemplated by this Agreement, and such order, decree, ruling or other action shall have become final and non-appealable; *provided*, *however*, that the right to terminate this Agreement pursuant to this §9(a)(ii) shall not be available to any Party whose breach of this Agreement or delay or nonperformance of any term of this Agreement has been the primary cause of, or primarily resulted in, any such order, decree, ruling or other action, including, without limitation, such Party's obligation to use its reasonable best efforts to resist, resolve or lift, as applicable, any such order, decree, ruling or other action;

(iv) by Seller upon a material breach by Buyer of any of its respective obligations under this Agreement; and

(v) by Buyer upon a material breach by Seller of any of its obligations under this Agreement.

(b) *Effect of Termination*. If any Party terminates this Agreement pursuant to §9(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to the other Party (except for any liability of any Party then in breach); provided, however, that (i) the provisions contained in §10 below shall survive termination, except for §10(n), §10(o), §10(q), and that (ii) Buyer shall pay a Break Fee to reimburse the Selling Parties for any and all costs and expenses incurred in connection with the transaction contemplated herein if Seller terminates this Agreement pursuant to §9(a)(ii), (iii) or (iv) above or if Buyer terminates this Agreement for any reason other than as set forth in §9(a).

§ 10 Miscellaneous

(a) *Press Releases and Public Announcements*. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or the rules of any exchange on which its securities may be listed (in which case the disclosing Party will use its reasonable best efforts to advise the other Party prior to making the disclosure).

(b) *No Third-Party Beneficiaries*. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(c) *Entire Agreement*. This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

(d) *Succession and Assignment*. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.

(e) *Counterparts*. This Agreement may be executed in one or more counterparts (including by means of facsimile), each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(f) *Headings*. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) *Notices*. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (i) when delivered personally to the recipient, (ii) 1 Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (iii) 1 Business Day after being sent to the recipient by facsimile transmission or electronic mail, or (iv) 4 Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:
Bodet & Horst GmbH & Co. KG,
Im Gewerbegebiet 9
09481 Elterlein
Germany
Attn.: Mr. Gerd-Hermann Horst
Fax: +49 0373 4969-796

Copy to:
Baker & McKenzie Partnerschaft von Rechtsanwälten, Steuerberatern, Wirtschaftsprüfer und Solicitors
Friedrichstraße 79/80
10117 Berlin
Germany
Attn.: Dr. Thorsten Seidel
Fax: +49 30 2038 7699

If to Buyer:
Culp, Inc.
1823 Eastchester Street
High Point, North Carolina 27265
Attn: Franklin N. Saxon
Facsimile: (336) 887-7089

Copy to:
Robinson, Bradshaw & Hinson, P.A.
101 North Tryon Street, Suite 1900
Charlotte, North Carolina 28246
Attn: Henry H. Ralston
Facsimile: (704) 378-4000

Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(h) *Governing Law*. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of North Carolina without giving effect to any choice or conflict of law provision or rule (whether of the State of North Carolina or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of North Carolina.

(i) *Arbitration*. The Parties agree to resolve any disputes or disagreements arising under this Agreement or any of the other agreements executed in connection herewith (except for any claims seeking specific enforcement or other equitable relief, which may be brought in any court of competent jurisdiction) through arbitration as follows (an "Arbitration Dispute"):

(ii) With respect to any Arbitration Dispute, any Party may commence arbitration proceedings with the CPR Institute for Arbitration Dispute Resolution ("CPR") office by filing a demand for arbitration in writing (a "Demand") with the CPR and by simultaneously sending a copy of the Demand to the other parties. The arbitration proceedings shall be governed by and decided in accordance with the CPR Rules for Non-Administered Arbitration then in effect, unless the parties to the arbitration shall mutually agree otherwise in writing. Any evidentiary rules not expressly provided by the CPR Rules shall be determined in accordance with the Federal Rules of Evidence. The arbitration shall be governed by the U.S. Arbitration Act, 9 U.S.C. § 1, et seq. and shall be administered under the procedures set forth herein.

(iii) The arbitrator to be selected (the "Arbitrator") shall be one independent and impartial arbitrator selected pursuant to CPR Rule 6.4.

(iv) The arbitration shall be conducted in New York City, New York; provided that the Arbitrator may, for the convenience of the parties and without changing the sites of the arbitration proceeding, permit the taking of evidence outside of New York City, New York.

(v) The Arbitrator shall permit and facilitate discovery pursuant to CPR Rule 11, except each Party shall be limited to two depositions. Within 30 days after selection of an arbitrator, the Party filing the demand for arbitration shall provide copies of all business documents and other evidence in its possession that support its demand. Within 30 days of receipt of such information, the receiving Party shall produce all business documents and evidence that support its defense or response. Thereafter, each Party shall have the right to such other discovery procedures as the Arbitrator may determine to be reasonably necessary for a fair understanding of any legitimate issue raised in the arbitration.

(vi) The award of the Arbitrator may be monetary damages, an order requiring performance of obligations under this Agreement or any other appropriate award or remedy, excluding, however, any award or remedy mentioned in §10(ix). The Arbitrator may not make any ruling, finding or award that does not conform to the terms and conditions of this Agreement. The award of the Arbitrator shall be accompanied by a written explanation of the basis for the award.

(vii) The fees and expenses of the Arbitrator shall be shared equally by the parties and advanced by them from time to time as required; provided that, at the conclusion of the arbitration, the prevailing Party shall be entitled to recover all attorneys' fees, filing fees, costs, including the costs of the arbitration previously advanced, expert fees and costs, and related expenses from the non-prevailing Party and such recovery shall be made part of any judgment or arbitration award.

(viii) An appeal of an arbitration award arising out of or related to this Agreement may be taken under the CPR Arbitration Appeal Procedure. The award rendered by the Arbitrator, after any appeal taken pursuant to the foregoing, shall be final and not subject to judicial review, and judgment thereon may be entered in any court of competent jurisdiction. Any amount owing by any Person as a result of this § 10(i) shall be paid within two Business Days after final determination of such amount.

(ix) Notwithstanding anything to the contrary provided in this § 10(i) and without prejudice to the above procedures, any of the parties may apply to any court of competent jurisdiction for temporary injunctive judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitration panel is convened and available to hear such Party's request for temporary relief.

(i) *Amendments and Waivers*. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller. No waiver by any Party of any provision of this Agreement or any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(j) *Severability*. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) *Expenses*. Each of Buyer and the Selling Parties will bear its/their own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, however, that Buyer will also bear all of the costs and expenses relating to the preparation and audit of the Closing Balance Sheet and the Schedule of Closing Net Working Capital (but not any fees or expenses of any advisors or accountants engaged by the Seller or the Shareholder, and not the fees and expenses of the Accounting Expert, responsibility for which shall be divided evenly between the Buyer, on the one-hand, and the Seller, on the other). If this Agreement is terminated, the obligation of each party to pay its own costs and expenses will be subject to any rights of such party arising from a breach of this Agreement by the other party.

(l) *Construction*. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” shall mean including without limitation.

(m) *Incorporation of Exhibits and Schedules*. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) *Tax Matters*.

(i) Property and ad valorem taxes with respect to the Acquired Assets for the period that includes the Closing Date shall be allocated between Seller and Buyer based on a percentage determined by dividing the number of days in such period occurring prior to the Closing Date, divided by the number of days in such period. Such percentage of tax will be allocated to the Seller and the remainder shall be allocated to the Buyer.

(ii) Seller and Buyer shall cooperate in the preparation, execution and filing of all tax returns, questionnaires, applications or other documents regarding any sales, use, excise, documentary, conveyance, transfer, value, stock transfer, stamp taxes or similar taxes that become payable in connection with the transactions contemplated by this Agreement. All such taxes shall be borne by Buyer**.**

(iii) Seller and Buyer agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance (including access to books and records) relating to the Acquired Assets as is reasonably necessary for the preparation of any tax return, claim for refund or audit or other tax matter relating to any of the Acquired Assets, including the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment of taxes.

(iv) To the extent permitted by applicable law, the parties agree to treat all payments made under § 8 or under any other indemnity provision contained in this Agreement as adjustments to the Purchase Price for income tax purposes.

(o) *Bulk Transfer Laws*. Buyer acknowledges that Seller will not comply with the provisions of any bulk transfer laws of any jurisdiction in connection with the transactions contemplated by this Agreement.

(p) *Governing Language*. This Agreement has been negotiated and executed by the Parties in English. In the event any translation of this Agreement is prepared for convenience or any other purpose, the provisions of the English version shall prevail.

(q) *Tax Disclosure Authorization*. Notwithstanding anything herein to the contrary, the Parties (and each Affiliate and Person acting on behalf of any Party) agree that each Party (and each employee, representative, and other agent of such Party) may disclose to any and all Persons, without limitation of any kind, the transaction's tax treatment and tax structure (as such terms are used in regulations promulgated under Code §6011) contemplated by this agreement and all materials of any kind (including opinions or other tax analyses) provided to such Party or such Person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information including (without limitation) (A) any portion of any materials to the extent not related to the transaction's tax treatment or tax structure, (B) the identities of participants or potential participants, (C) the existence or status of any negotiations, (D) any pricing or financial information (except to the extent such pricing or financial information is related to the transaction's tax treatment or tax structure), or (E) any other term or detail not relevant to the transaction's tax treatment or the tax structure.

* * * * *

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on as of the date first above written.

CULP, INC.

By: /s/ Franklin N. Saxon
Name: Franklin N. Saxon
Title: President and CEO

BODET & HORST USA, LP
BY
BODET & HORST Corporation, its General Partner

By: /s/ Gerd-Hermann Horst
Name: Gerd-Hermann Horst
Title: President

BODET & HORST GMBH & CO. KG
BY
Horst-Beteiligungs GmbH

By: /s/ Gerd Hermann Horst
Name: Gerd-Herman Horst
Title: Geschäftsführer

Exhibit 10.2

CULP, INC.

$11,000,000

$11,000,000 8.01% Senior Notes due August 11, 2015

NOTE PURCHASE AGREEMENT

Dated as of August 11, 2008

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CULP, INC.
101 South Main Street
High Point, North Carolina 27261-2686

8.01% Senior Notes due August 11, 2015

August 11, 2008

TO EACH OF THE PURCHASERS LISTED IN
SCHEDULE A HERETO:

Ladies and Gentlemen:

Culp, Inc., a North Carolina corporation (the **"Company"**), agrees with each of the purchasers whose names appear at the end hereof (each, a **"Purchaser"** and, collectively, the **"Purchasers"**) as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of $11,000,000 aggregate principal amount of its 8.01% Senior Notes due August 11, 2015 (the **"Notes"**, such term to include any such notes issued in substitution therefor pursuant to Section 13). The Notes shall be substantially in the form set out in Exhibit 1. Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 a.m., Chicago time, at a closing (the **"Closing"**) on August 11, 2008 or on such other Business Day thereafter on or prior to August 22, 2008 as may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note (or such greater number of Notes in denominations of at least $100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 2040230014183 at Wachovia Bank, National Association, ABA Number 053000219, High Point, North Carolina. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since April 27, 2008 that would have been prohibited by Section 10 hereof had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2, 4.9 and 4.10 have been fulfilled.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Robinson, Bradshaw & Hinson, P.A., special counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Notes.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. B&H Acquisition. The Company shall have delivered to such Purchaser a true, complete and correct copy of the fully executed Purchase Agreement and all conditions necessary to close the B&H Acquisition (other than payment of the purchase price) shall have been satisfied in the manner contemplated therein.

Section 4.11. Funding Instructions. At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.12. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company has delivered to each Purchaser a copy of each of the items listed on Schedule 5.3 hereto (the "*Offering Materials*") relating to the transactions contemplated hereby. The Offering Materials fairly describe, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Offering Materials and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby and identified in Schedule 5.3, and the financial statements listed in Schedule 5.5 (this Agreement, the Offering Materials and such documents, certificates or other writings and such financial statements delivered to each Purchaser prior to July 3, 2008 being referred to, collectively, as the **"Disclosure Documents"**), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since April 27, 2008, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the agreements or other restrictions listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all material tax returns that are required to have been filed in any jurisdiction, or have properly filed for extensions of time for the filing thereof, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended April 29, 2001.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. (a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b)To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c)To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

Section 5.12.Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code or section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term **"benefit liabilities"** has the meaning specified in section 4001 of ERISA and the terms **"current value"** and **"present value"** have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such Purchaser.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than five (5) other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Neither the Company nor any Subsidiary presently owns, legally or beneficially, or has any present intention to, acquire any margin stock. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness; Future Liens . (a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of July 15, 2008 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guaranty thereof, if any) excluding Indebtedness having an unpaid aggregate principal amount of less than $50,000 as of July 15, 2008, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as specifically indicated in Schedule 5.15.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any Subsidiary (i) is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (ii) engages in any dealings or transactions with any such Person. The Company and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters. (a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or, to the Company's knowledge, any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(d) To the knowledge of the Company, all buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption (**"PTE"**) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the **"NAIC Annual Statement"**)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Section IV of PTE 96-23 (the **“INHAM Exemption”**)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **“employee benefit plan,” “governmental plan,”** and **“separate account”** shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days (or such shorter period as is 15 days greater than the period applicable to the filing of the Company’s Quarterly Report on Form 10-Q (the **“Form 10-Q”**) with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that delivery within the time period specified above of copies of the Company's Form 10-Q prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a), *provided, further,* that the Company shall be deemed to have made such delivery of such Form 10-Q if it shall have timely made such Form 10-Q available on "EDGAR" and on its home page on the worldwide web (at the date of this Agreement located at: http//www.culpinc.com) and shall have given each Purchaser prior notice of such availability on EDGAR and on its home page in connection with each delivery (such availability and notice thereof being referred to as **"Electronic Delivery"**);

(b) *Annual Statements* — within 105 days (or such shorter period as is 15 days greater than the period applicable to the filing of the Company's Annual Report on Form 10-K (the **"Form 10-K"**) with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each fiscal year of the Company, duplicate copies of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the Company's Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the SEC, together with the accountant's certificate described in clause (B) above (the **"Accountants' Certificate"**), shall be deemed to satisfy the requirements of this Section 7.1(b), *provided, further,* that the Company shall be deemed to have made such delivery of such Form 10-K if it shall have timely made Electronic Delivery thereof, in which event the Company shall separately deliver, concurrently with such Electronic Delivery, the Accountants' Certificate;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to its principal lending banks as a whole (excluding information sent to such banks in the ordinary course of administration of a bank facility, such as information relating to pricing and borrowing availability) or to its public securities holders generally, and (ii) each regular or periodic report, each registration statement other than Registration Statements on Form S-8 (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multi-employer Plan that such action has been taken by the PBGC with respect to such Multi-employer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) *Notices from Governmental Authority* — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries (including, but without limitation, actual copies of the Company's Form 10-Q and Form 10-K) or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth (which, in the case of Electronic Delivery of any such financial statements, shall be by separate concurrent delivery of such certificate to each holder of Notes):

(a) *Covenant Compliance* — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.3, both inclusive, and Section 10.5 hereof during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, (i) the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence, and (ii) a detailed listing of the Restructuring Charges taken into account in the preparation of such calculations); and

(b) *Event of Default* — a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Visitation. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1. Required Prepayments. On August 11, 2011, and on the 11th day of each August thereafter to and including August 11, 2014, the Company will prepay $2,200,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Notes at par and without payment of the Make-Whole Amount or any premium, *provided* that upon any partial prepayment of the Notes pursuant to Section 8.2 or Section 8.4 or purchase of the Notes permitted by Section 8.6, the principal amount of each required prepayment of the Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Notes is reduced as a result of such prepayment or purchase. On August 11, 2015, the entire remaining principal amount of the Notes, together with accrued and unpaid interest thereon, shall become due and payable.

Section 8.2. Change in Control. (a) *Notice of Change in Control or Control Event.* The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes *unless* notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to subparagraph (b) of this Section. If a Change in Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (c) of this Section and shall be accompanied by the certificate described in subparagraph (g) of this Section.

(b) *Condition to Company Action.* The Company will not take any action that consummates or finalizes a Change in Control unless (i) at least 30 days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in subparagraph (c) of this Section, accompanied by the certificate described in subparagraph (g) of this Section, and (ii) contemporaneously with such action, it prepays all Notes required to be prepaid in accordance with this Section.

(c) *Offer to Prepay Notes.* The offer to prepay Notes contemplated by subparagraphs (a) and (b) of this Section shall be an offer to prepay, in accordance with and subject to this Section, all, but not less than all, the Notes held by each holder (in this case only, "*holder*" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "*Proposed Prepayment Date*"). If such Proposed Prepayment Date is in connection with an offer contemplated by subparagraph (a) of this Section, such date shall be not less than 15 days and not more than 30 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the first Business Day after the 30th day after the date of such offer).

(d) *Acceptance.* A holder of Notes may accept the offer to prepay made pursuant to this Section by causing a notice of such acceptance to be delivered to the Company at least five days prior to the Proposed Prepayment Date. If the offer is so accepted by any holder of Notes, the Company at least four days prior to the Proposed Prepayment Date shall give written notice to each holder of Notes that has not so accepted the offer, in which notice the Company shall (i) state the aggregate outstanding principal amount of Notes in respect of which the offer has been accepted and (ii) renew the offer and extend the time for acceptance by stating that any holder of Notes may yet accept the offer, whether theretofore rejected or not, by causing a notice of such acceptance to be delivered to the Company at least two days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section shall be deemed to constitute a rejection of such offer by such holder.

(e) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this Section shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment, but without Make-Whole Amount or other premium. The prepayment shall be made on the Proposed Prepayment Date except as provided in subparagraph (f) of this Section.

(f) *Deferral Pending Change in Control.* The obligation of the Company to prepay Notes pursuant to the offers required by subparagraph (b) and accepted in accordance with subparagraph (d) of this Section is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control has not occurred on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change in Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section in respect of such Change in Control shall be deemed rescinded).

(g) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this Section shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.2; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section have been fulfilled; and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control.

(h) *"Change in Control" Defined.* A *"Change in Control"* shall be deemed to have occurred if any Person or Persons acting in concert (other than the Culp Family), together with Affiliates thereof, shall in the aggregate, directly or indirectly, control or own (beneficially or otherwise) more than 50% (by number of shares) of the issued and outstanding Voting Stock of the Company. *"Culp Family"* means Robert G. Culp III, his spouse, his mother, his siblings, his lineal descendants and any trusts for the exclusive benefit of any such individual, so long as such individual has the exclusive right to control each such trust.

(i) *"Control Event" Defined.* *"Control Event"* means:

(i) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control, or

(iii) the making of any written offer by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of the Closing) to the holders of the common stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

Section 8.3. Allocation of Partial Prepayments. In the case of partial prepayment of the Notes (other than a prepayment pursuant to Section 8.2), the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All prepayments made pursuant to Section 8.2 shall be applied only to the Notes of the holders who have elected to participate in such prepayment.

Section 8.4. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus the Make-Whole Amount and accrued interest determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.4 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date. The calculations with respect to the Make-Whole Amount shall in any event be subject to the review and approval of the holders of the Notes and, in the case of any disagreement among such holders and the Company with respect to such calculations or method of computation thereof, the conclusion of such holders shall, in the absence of manifest error, be deemed, binding and conclusive.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount.

"Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.4 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

“Remaining Average Life” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.4 or Section 12.1.

“Settlement Date” means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.4 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. Without limiting Section 10.11, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, the USA Patriot Act and Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in reasonably good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all material tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments, charges, levies and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. Subject to Section 10.4, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.4 and 10.5 the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least *pari passu* in right of payment with all other present and future Senior Funded Debt (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other unsecured Indebtedness of the Company.

Section 9.7. Guaranty by Subsidiaries. The Company will cause each Subsidiary which becomes a borrower or a guarantor in respect of Indebtedness of the Company outstanding under any facility or agreement in respect of which senior Indebtedness of the Company may be outstanding (including, without limitation, the Credit Agreement and the 1998 Note Agreement and any replacement of either thereof) to concurrently enter into a Subsidiary Guaranty, and within three Business Days thereafter will deliver to each of the holders of the Notes the following items:

(a) an executed counterpart of such Subsidiary Guaranty or joinder agreement in respect of an existing Subsidiary Guaranty, as appropriate; and

(b) such other documents, certificates, legal opinions and information as the Required Holders reasonably may require regarding such Subsidiary, the authorization of the transactions contemplated by such Subsidiary Guaranty and the enforceability of such Subsidiary Guaranty, including without limitation an Intercreditor Agreement.

Section 9.8. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be.

Section 9.9. B&H Acquisition. On the date of Closing, the proceeds from the sale of the Notes shall be applied to fund a portion of the purchase price for the B&H Acquisition, and the B&H Acquisition shall be consummated according to the terms of the Purchase Agreement.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Tangible Net Worth. The Company shall not at any time permit Tangible Net Worth to be less than the sum of (a) $65,164,800, plus (b) an aggregate amount equal to 50% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal quarter, beginning with the fiscal quarter ending August 3, 2008.

Section 10.2. Financial Ratios.

(a) The Company shall not at any time permit the ratio of (i) Consolidated Total Debt to (ii) Consolidated EBITDA for the period of four consecutive fiscal quarters then most recently ended, to exceed 2.5 to 1.0.

(b) The Company will keep and maintain the ratio of Consolidated EBITDAR to Consolidated Fixed Charges for each period of four consecutive fiscal quarters at not less than 2.25 to 1.0.

(c) The Company shall not at any time permit Priority Debt to exceed 15% of Consolidated Net Worth.

Section 10.3. Liens. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(b) any attachment or judgment Lien, unless the judgment it secures shall not, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal and with respect to which judgment adequate reserves have been established by the Company and its Subsidiaries in accordance with GAAP;

(c) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due and payable or the payment of which is not at the time required by Section 9.4;

(d) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Subsidiaries, *provided* that such Liens do not, in the aggregate, materially detract from the value of such property;

(e) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(f) Liens existing on the date of this Agreement and securing the Indebtedness of the Company and its Subsidiaries referred to in Schedule 5.15 as secured Indebtedness;

(g) Liens on property or assets of the Company or any of its Subsidiaries securing Indebtedness owing to the Company or to any of its Wholly-Owned Subsidiaries;

(h) any Lien (other than Vendor Finance Liens) created to secure all or any part of the purchase price, or to secure Indebtedness incurred or assumed to pay all or any part of the purchase price or cost of construction, of tangible property (or any improvement thereon) acquired or constructed by the Company or a Subsidiary after the date of the Closing, *provided* that

(i) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired or constructed and, if required by the terms of the instrument originally creating such Lien, other property (or improvement thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (or improvement thereon) or which is real property being improved by such acquired or constructed property (or improvement thereon),

(ii) the principal amount of the Indebtedness secured by any such Lien shall at no time exceed an amount equal to the lesser of (A) the cost to the Company or such Subsidiary of the property (or improvement thereon) so acquired or constructed and (B) the Fair Market Value (as determined in good faith by the board of directors of the Company) of such property (or improvement thereon) at the time of such acquisition or construction, and

(iii) any such Lien shall be created contemporaneously with, or within 18 months after, the acquisition or construction of such property;

(i) Liens securing Indebtedness and other obligations (including trade accounts payable) of the Company and its Subsidiaries incurred to finance the acquisition of equipment, which financing is obtained from or through the suppliers of such equipment (*"Vendor Finance Liens"*); *provided* that (i) such Liens shall extend solely to the equipment so acquired and (ii) the aggregate amount of Indebtedness and other obligations secured by such Liens shall at no time exceed $5,000,000;

(j) any Lien existing on property of a Person immediately prior to its being consolidated with or merged into the Company or a Subsidiary or its becoming a Subsidiary, or any Lien existing on any property acquired by the Company or any Subsidiary at the time such property is so acquired (whether or not the Indebtedness secured thereby shall have been assumed), *provided* that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Subsidiary or such acquisition of property, and (ii) each such Lien shall extend solely to the item or items of property so acquired and, if required by the terms of the instrument originally creating such Lien, other property which is an improvement to or is acquired for specific use in connection with such acquired property;

(k) any Lien renewing, extending or refunding any Lien permitted by paragraphs (f), (h), (i) or (j) of this Section, *provided* that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist;

(l) other Liens not otherwise permitted by paragraphs (a) through (k) securing Indebtedness other than the principal credit facilities of the Company and its Subsidiaries from time to time; *provided* that after giving effect to the imposition of such Lien and the incurrence of the obligation secured thereby, Priority Debt shall not exceed 15% of Consolidated Net Worth.

Section 10.4. Merger, Consolidation, Etc. The Company will not consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, (i) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (ii) such corporation or limited liability company shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation or limited liability company that shall theretofore have become such in the manner prescribed in this Section 10.4 from its liability under this Agreement or the Notes.

Section 10.5. Sale of Assets, etc. Except as permitted under Section 10.4, the Company will not, and will not permit any of its Subsidiaries to, make any Asset Disposition unless:

(a) in the good faith opinion of the Company, the Asset Disposition is in exchange for consideration having a Fair Market Value at least equal to that of the property exchanged and is in the best interest of the Company or such Subsidiary; and

(b) immediately prior to and after giving effect to the Asset Disposition, no Default or Event of Default would exist; and

(c) immediately after giving effect to the Asset Disposition, the Disposition Value of such property, together with all other property of the Company and its Subsidiaries that was the subject of any Asset Disposition occurring during the immediately preceding 365 days, would not exceed 15% of Consolidated Assets as of the end of the then most recently ended fiscal quarter of the Company.

Section 10.6. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 10.7. Sale and Lease-Back. The Company will not, and will not permit any Subsidiary to, enter into or permit to remain in effect any Sale and Leaseback Transaction with any Person. Notwithstanding the foregoing, the Company may enter into a Sale and Leaseback Transaction relating to its corporate headquarters located in High Point, North Carolina; *provided* that (i) the sales price received by the Company in connection with such transaction is not less than $5,500,000, (ii) the proceeds of such sale (less reasonable expenses and taxes paid in connection therewith) are applied to the repayment of the Indebtedness secured by such corporate headquarters, and (iii) to the extent such transaction involves a Capital Lease, the Indebtedness incurred by the Company and attributable to such transaction (consisting of the aggregate Rentals to become due under the related lease, discounted from the respective due dates at the interest rate implicit in such Rentals and otherwise in accordance with GAAP) shall constitute Priority Debt and shall, at the time of such transaction and after giving effect thereto, be permitted within the limitations of Section 10.2(c) hereof; and *provided*, *further*, that the Company may seek in good faith the prior written consent of the Required Holders for a Sale and Leaseback Transaction relating to its corporate headquarters with a sales price of less than $5,500,000, it being understood that the manner in which the Company proposes to payoff all existing Indebtedness secured by such corporate headquarters must be acceptable to the Required Holders.

Section 10.8. Sale or Discount of Receivables. The Company will not, and will not permit any Subsidiary to, sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable.

Section 10.9. Change in Business. The Company will not, and will not permit any Subsidiary to, enter into any business other than the business presently conducted by the Company and its Subsidiaries and businesses reasonably related thereto.

Section 10.10. Restrictive Agreements. The Company will not permit any Subsidiary to enter into or otherwise be bound by or subject to any contract or agreement (including, without limitation, any provision of its certificate or articles of incorporation or bylaws) that restricts its ability (i) to pay dividends or other distributions on account of its stock, (ii) to create, grant or permit to exist any Liens securing the Notes or guarantees thereof or (iii) to guaranty the obligations of the Company under the Notes and this Agreement; provided, however, that Subsidiaries of the Company incorporated under the laws of China may agree to the foregoing restrictions in credit facilities with Chinese financial institutions so long as the aggregate amount committed and lent under such credit facilities does not exceed $5,000,000.

Section 10.11. Terrorism Sanctions Regulations. The Company will not and will not permit any Subsidiary to (a) become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order or (b) engage in any dealings or transactions with any such Person.

Section 10.12. Liens and Reserves. The Company will not and will not permit any Subsidiary to (a) allow any Liens to exist on any of their respective properties securing the obligations of the Company or any Subsidiary under the Credit Agreement or (b) establish any liquidity reserves in connection with the Credit Agreement or otherwise.

SECTION 11. EVENTS OF DEFAULT.

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d) or Section 10; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(d)); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $1,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $1,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $1,000,000, or (y) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $5,000,000 are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(j), the terms **"employee benefit plan"** and **"employee welfare benefit plan"** shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 35% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note's becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the holders of not less than 66-2/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within 30 days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

Section 13.3. Replacement of Notes. Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within 30 days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in the Borough of Manhattan, City and State of New York, at the principal office of JPMorgan Chase Bank, N.A. in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO *provided*, that such costs and expenses under this clause (c) shall not exceed $3,000. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation.* The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3. Binding Effect, etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of its Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, “Confidential Information” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser’s investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser’s Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.4 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3. Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP.

Section 22.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5. Construction, etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 22.8. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

CULP, INC.

By /s/ Kenneth R. Bowling
Name: Kenneth R. Bowling
Title: Vice President and Chief Financial Officer

This Agreement is hereby
accepted and agreed to as
of the date thereof.

MUTUAL OF OMAHA INSURANCE COMPANY

By /s/ Curtis R. Caldwell
Name: Curtis R. Caldwell
Title: Senior Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By /s/ Curtis R. Caldwell
Name: Curtis R. Caldwell
Title: Senior Vice President

[Signature page to Note Purchase Agreement]

CULP, INC.

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
MUTUAL OF OMAHA INSURANCE COMPANY Mutual of Omaha Plaza Omaha, Nebraska 68175-1011 Attention: 4-Investment Accounting	$3,000,000

Payments

All principal and interest payments on the Notes shall be made by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA #021000021
Private Income Processing

For credit to: Mutual of Omaha Insurance Company
Account # 900-9000200
a/c: G07096
Cusip/PPN: 230215 B#1
Interest Amount: ___________________________
Principal Amount: __________________________

Notices

Address for all notices in respect of payment of principal and interest, corporate actions, and reorganization notifications:

JPMorgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, Texas 75254-2917
Attention: Income Processing - G. Ruiz
a/c: G07096

All other notices and communications (i.e.: quarterly/annual reports, tax filings, modifications, waivers regarding the Note Purchase Agreement or Notes) to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 47-0246511

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
UNITED OF OMAHA LIFE INSURANCE COMPANY Mutual of Omaha Plaza Omaha, Nebraska 68175-1011 Attention: 4-Investment Accounting	$8,000,000

Payments

All principal and interest payments on the Notes shall be made by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA #021000021
Private Income Processing
For credit to: United of Omaha Life Insurance Company
Account # 900-9000200
a/c: G07097
Cusip/PPN: 230215 B#1
Interest Amount: ___________________________
Principal Amount: __________________________

Notices

Address for all notices in respect of payment of principal and interest, corporate actions, and reorganization notifications:

JPMorgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, Texas 75254-2917
Attention: Income Processing - G. Ruiz
a/c: G07097

All other notices and communications (i.e.: quarterly/annual reports, tax filings, modifications, waivers regarding the Note Purchase Agreement or Notes) to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 47-0322111

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"1998 Noteholders" means the holders of the 1998 Notes.

"1998 Notes" means the "**Notes"** as such term is defined in the 1998 Note Agreement.

"1998 Note Agreement" means those certain Note Purchase Agreements, dated as of March 4, 1998, by and between the Company and the purchasers party thereto, as the same have been and may be amended from time to time.

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Anti-Terrorism Order" means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

"Asset Disposition" means any Transfer except:

(a) any Transfer from a Subsidiary to the Company or a Wholly-Owned Subsidiary so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default exists;

(b) any sale of real estate, machinery and equipment in connection with the closure of the Company's upholstery fabric plant located in Anderson, South Carolina; (ii) the sale of the Company's corporate headquarters located in High Point, North Carolina; and (iii) the disposition of assets described (as of December 6, 2006) on the Company's balance sheet as "Assets Held For Sale"; and

(c) any Transfer made in the ordinary course of business and involving only property that is either (i) inventory held for sale or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or any of its Subsidiaries or that is obsolete.

“B&H Acquisition” means the Company’s purchase of certain assets and the assumption of certain liabilities of Bodet & Horst USA, L.P., a New York limited partnership, which assets and liabilities relate to the seller’s business of the manufacture and sale of running meters of certain textiles, in the United States, Canada and Mexico pursuant to the terms of the Purchase Agreement.

“Business Day” means (a) for the purposes of Section 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Charlotte, North Carolina are required or authorized to be closed.

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

“Change in Control” has the meaning set forth in Section 8.2.

“Closing” is defined in Section 3.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“Company” means Culp, Inc., a North Carolina corporation or any successor that becomes such in the manner prescribed in Section 10.4.

“Confidential Information” is defined in Section 20.

“Consolidated Assets” means, at any time, the total assets of the Company and its Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries.

“Consolidated EBITDA” means, with reference to any period, the sum of (i) all Consolidated Net Income, (ii) Interest Expense, income tax expense, depreciation and amortization expense of the Company and its Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP, in each case for such period, and (iii) Restructuring Charges for such period, to the extent such charges were deducted when calculating Consolidated Net Income. In addition, in order to give effect to the B&H Acquisition on a *pro forma* basis, the following amounts shall be added to Consolidated EBITDA for the quarterly periods set forth below:

Quarterly Period Ending	Amount to be added to Consolidated EBITDA
October 28, 2007	$875,000
January 27, 2008	$520,000
April 27, 2008	$885,000
August 3, 2008	$720,000

"Consolidated EBITDAR" means, with reference to any period, the sum of (i) Consolidated EBITDA, plus (ii) Operating Lease Rentals (excluding Expensed Lease Rentals), in each case, for such period.

"Consolidated Fixed Charges" means, with reference to any period, the sum of (i) the Interest Expense of the Company and its Subsidiaries for such period (taken as a cumulative whole), in each case as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP plus (ii) Operating Lease Rentals (excluding Expensed Lease Rentals) in each case for such period.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP, *provided* that there shall be excluded:

(a)the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Company or a Subsidiary, and the income (or loss) of any Person, substantially all of the assets of which have been acquired in any manner, realized by such other Person prior to the date of acquisition,

(b) the income (or loss) of any Person (other than a Subsidiary) in which the Company or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the Company or such Subsidiary in the form of cash dividends or similar cash distributions,

(c) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary,

(d) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period,

(e) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, conversion, exchange or other disposition of capital assets (such term to include, without limitation, (i) all non-current assets and, without duplication, (ii) the following, whether or not current: all fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets, and all Securities),

(f) any gains resulting from any write-up of any assets (but not any loss resulting from any write-down of any assets),

(g) any net gain from the collection of the proceeds of life insurance policies,

(h) any gain arising from the acquisition of any Security, or the extinguishment, under GAAP, of any Indebtedness, of the Company or any Subsidiary,

(i) any net income or gain (but not any net loss) during such period from (i) any change in accounting principles in accordance with GAAP, (ii) any prior period adjustments resulting from any change in accounting principles in accordance with GAAP, (iii) any extraordinary items, or (iv) any discontinued operations or the disposition thereof,

(j) any deferred credit representing the excess of equity in any Subsidiary at the date of acquisition over the cost of the investment in such Subsidiary,

(k) in the case of a successor to the Company by consolidation or merger or as a transferee of its assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets, and

(l) any portion of such net income that cannot be freely converted into United States Dollars.

"Consolidated Net Worth" means, at any time,

(a) the sum of (i) the par value (or value stated on the books of the corporation) of the capital stock (but excluding Redeemable Preferred Stock, treasury stock and capital stock subscribed but unissued) of the Company and its Subsidiaries, plus (ii) the amount of paid-in capital and retained earnings of the Company and its Subsidiaries, plus (iii) the amount equal to all Restructuring Charges for all completed fiscal quarters, commencing with the fiscal quarter ended August 3, 2008, in each case as such amounts would be shown on consolidated financial statements of the Company and its Subsidiaries as prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries.

"Consolidated Total Debt" means, as of any date of determination, all Indebtedness of the Company and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP, *provided*, that solely for purposes of Section 10.2(a), Consolidated Total Debt shall exclude up to $5,000,000 in Indebtedness of the Company and its Subsidiaries outstanding on the date of such determination incurred to finance the acquisition of equipment, which financing is obtained from or through the suppliers of such inventory and secured by Vendor Finance Liens permitted by Section 10.3(i).

"Control Event" has the meaning set forth in Section 8.2

"Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of August 23, 2002, by and among Company, the lenders party thereto and Wachovia Bank, National Association, as Agent, as the same has been and may be amended, restated, replaced or otherwise modified from time to time.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest that is the greater of (i) 10.01% per annum or (ii) 2% over the rate of interest publicly announced from time to time by JPMorgan Chase Bank, N.A. in New York, New York, as its "base" or "prime" rate.

"Disposition Value" means, at any time, with respect to any property

(a) in the case of property that does not constitute Subsidiary Stock, the book value thereof, valued at the time of such disposition in accordance with GAAP, and

(b) in the case of property that constitutes Subsidiary Stock, an amount equal to that percentage of book value of the assets of the Subsidiary that issued such stock as is equal to the percentage that the book value of such Subsidiary Stock represents the book value of all of the outstanding capital stock of such Subsidiary (assuming, in making such calculations, that all Securities convertible into such capital stock are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion) determined at the time of the disposition thereof, in accordance with GAAP.

"Electronic Delivery" is defined in Section 7.1(a).

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

“Event of Default” is defined in Section 11.

“Expensed Lease Rentals” means Operating Lease Rentals associated with leased properties vacated by the Company which have been expensed as a part of the Company’s restructuring accounting (and which appear on the Company’s balance sheet as a part of its accrued restructuring expenses), *provided* that, for purposes of covenant calculations hereunder, Expensed Lease Rentals shall not exceed (a) $790,000 in the aggregate for all fiscal measurement periods on or prior to April 27, 2008 and (b) $325,000 in the aggregate for all fiscal measurement periods thereafter.

“Fair Market Value” means, at any time and with respect to any property, the sale value of such property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

“Form 10-K” is defined in Section 7.1(b).

“Form 10-Q” is defined in Section 7.1(a).

“Funded Debt” means, with respect to any Person, all Debt of such Person which by its terms or by the terms of any instrument or agreement relating thereto matures, or which is otherwise payable or unpaid, one year or more from, or is directly or indirectly renewable or extendible at the option of the obligor in respect thereof to a date one year or more (including, without limitation, an option of such obligor under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more) from, the date of the creation thereof.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America; *provided* that calculations made in connection with determining the covenants contained in Section 10 hereof, GAAP shall mean generally accepted accounting principals in effect in the United States as of the date of Closing.

“Governmental Authority” means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing (whether by reason of being a general partner of a partnership or otherwise) any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"holder" means, with respect to any Note the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) the aggregate Swap Termination Value of all Swap Contracts of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Institutional Investor" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"Intercreditor Agreement" means an agreement, in form and substance reasonably satisfactory to the Required Holders, among the holders of the Notes and each creditor of the Company to which a Subsidiary is then becoming obligated as a co-borrower or guarantor giving rise the requirements of Section 9.7, providing that payments received from any such Subsidiary following agreed upon enforcement events shall be shared on an equal and ratable basis.

“Interest Expense” of the Company and its Subsidiaries for any period shall mean all interest (including the imputed interest component on Rentals on Capital Leases) and all amortization of debt discount and expense on any particular Indebtedness (including, without limitation, payment-in-kind, zero coupon and other like Securities) for which such calculations are being made. Computations of Interest Expense on a *pro forma* basis for Indebtedness having a variable interest rate shall be calculated at the rate in effect on the date of any determination.

“Investment” shall have the meaning set forth in Section 10.10.

“Lien” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

“Make-Whole Amount” is defined in Section 8.7.

“Material” means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

“Multiemployer Plan” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“NAIC” means the National Association of Insurance Commissioners or any successor thereto.

“Net Proceeds Amount” means, with respect to any Transfer of any Property by any Person, an amount equal to the *difference* of

(a) the aggregate amount of the consideration (valued at the Fair Market Value of such consideration at the time of the consummation of such Transfer) received by such Person in respect of such Transfer, *minus*

(b) all ordinary and reasonable out-of-pocket costs and expenses actually incurred by such Person in connection with such Transfer.

“Notes” is defined in Section 1.

“Offering Materials” is defined in Section 5.3.

“Officer’s Certificate” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“Operating Lease Rentals” means, with reference to any period, all fixed rents or charges (including as such all payments which the lessee is obligated to make on termination of the lease or surrender of the property) payable by the Company and its Subsidiaries (as lessee, sublessee, license, franchisee or the like) under all leases, licenses, or other agreements for the use or possession of real or personal property, tangible or intangible (except Capital Leases) having a term of more than one year (whether as an initial term or any extension or renewal thereof and including options to renew or extend any term, whether or not exercised), during such period, of the Company and its Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“Plan” means an “employee benefit plan” (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

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

“Priority Debt” means, without duplication, the sum of (i) all Indebtedness of the Company secured by any Lien with respect to any property owned by the Company or any of its Subsidiaries other than Liens permitted by paragraphs (a) through (k), both inclusive, of Section 10.3, (ii) all Indebtedness of Subsidiaries (except (x) Indebtedness held by the Company or a Wholly-Owned Subsidiary and (y) Guaranties and joint obligations of a Subsidiary with respect to Indebtedness of the Company, *provided* that such Subsidiary has delivered to the holders of the Notes a Subsidiary Guaranty and the other documents required by Section 9.7(b)), and (iii) Indebtedness described in clause (iii) of Section 10.7 attributable to a Sale and Leaseback Transaction involving the Company’s corporate headquarters.

“property” or **“properties”** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PTE" is defined in Section 6.2(a).

"Purchase Agreement" means that certain Asset Purchase Agreement dated as of August 11, 2008, by and between Company, Bodet & Horst USA, L.P. and Bodet & Horst GmbH & Co. KE.

"Purchaser" is defined in the first paragraph of this Agreement.

"Qualified Institutional Buyer" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"Redeemable" means, with respect to the capital stock of any Person, each share of such Person's capital stock that is:

(a) redeemable, payable or required to be purchased or otherwise retired or extinguished, or convertible into Indebtedness of such Person (i) at a fixed or determinable date, whether by operation of sinking fund or otherwise, (ii) at the option of any Person other than such Person, or (iii) upon the occurrence of a condition not solely within the control of such Person; or

(b) convertible into other Redeemable capital stock.

"Related Fund" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"Rentals" shall mean and include as of the date of any determination thereof all fixed payments (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Company or a Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges.

"Required Holders" means, at any time, the holders of at least 66-2/3% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restructuring Charges" means, collectively, (a) from and after the date of Closing through the term of this Agreement, (i) up to $1,000,000 in the aggregate in cash restructuring expenses and restructuring-related costs, and (ii) all non-cash restructuring expenses and restructuring-related costs, and (b) non-cash write-downs of deferred tax assets of the Company accounted for as "valuation allowances", in each case, as such amounts would be shown on consolidated financial statements of the Company and its Subsidiaries as prepared in accordance with GAAP. In addition, solely for the purpose of calculating EBITDA for determining the Company's compliance with the financial covenants in Section 10.2, "Restructuring Charges" shall include, for the 12-month trailing period ended April 27, 2008, $2,900,000 in the aggregate in cash and non-cash restructuring expenses and restructuring-related costs. For purposes of clarity, it is understood and agreed that restructuring expenses and restructuring-related costs, as such terms are used in this definition, are expenses and costs related solely to the disposal of plants and other tangible assets of the Company and its Subsidiaries or the reduction in the work force or layoffs and not to the write-off or write-down of assets, impaired or otherwise.

"Sale and Leaseback Transaction" shall mean any arrangement with any Person or to which such Person is a party providing for the leasing by the Company or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or any Subsidiary to any Person to which funds have been or are to be advanced on the security of such property or rental obligations of the Company or any Subsidiary.

"SEC" shall mean the Securities and Exchange Commission of the United States, or any successor thereto.

"Securities" or **"Security"** shall have the meaning specified in Section 2(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Senior Funded Debt" means (a) any Funded Debt of the Company (other than Subordinated Debt) and (b) any Funded Debt of any Subsidiary.

"Subordinated Debt" means any Indebtedness that is in any manner subordinated in right of payment or security in any respect to Indebtedness evidenced by the Notes.

"Subsidiary" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

“Subsidiary Guaranty” means any Guaranty of the obligations of the Company under this Agreement executed by a Subsidiary of the Company in connection with the requirements of Section 9.7 or otherwise, in form and substance reasonably satisfactory to the Required Holders, as the same has been and may be amended, restated, replaced or otherwise modified from time to time.

“Subsidiary Stock” means, with respect to any Person, the stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of such Person.

“SVO” means the Securities Valuation Office of the NAIC or any successor to such Office.

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

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amounts(s) determined as the mark-to-market values(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts.

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

“Tangible Net Worth” means, at any time, Consolidated Net Worth, less the amount of any intangible items as determined in accordance with GAAP, at such time.

“Transfer” means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including, without limitation, Subsidiary Stock. For purposes of determining the application of the Net Proceeds Amount in respect of any Transfer, the Company may designate any Transfer as one or more separate Transfers each yielding a separate Net Proceeds Amount. In any such case, the Disposition Value of any property subject to each such separate Transfer shall be determined by ratably allocating the aggregate Disposition Value of all property subject to all such separate Transfers to each such separate Transfer on a proportionate basis.

“USA Patriot Act” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Vendor Finance Liens” is defined in Section 10.3(i).

“Voting Stock” shall mean Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

“Wholly-Owned Subsidiary” means, at any time, any Subsidiary one hundred percent of all of the equity interests (except directors’ qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time.

[FORM OF NOTE]

CULP, INC.

8.01% SENIOR NOTE DUE AUGUST 11, 2015

No. [_____]
$[_______]

[Date]
PPN 230215 B#1

FOR VALUE RECEIVED, the undersigned, Culp, Inc. (herein called the **"Company"**), a corporation organized and existing under the laws of the State of North Carolina, hereby promises to pay to [____________], or registered assigns, the principal sum of [_____________________] DOLLARS (or so much thereof as shall not have been prepaid) on August 11, 2015, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 8.01% per annum from the date hereof, payable semiannually, on the 15th day of August and February in each year, commencing with the August or February next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 10.01% or (ii) 2.0% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal place of JPMorgan Chase Bank, N.A. in the Borough of Manhattan, City and State of New York, or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 11, 2008 (as from time to time amended, the **"Note Purchase Agreement"**), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

CULP, INC.
By ____________________
Name:
Title:

CONSENT AND FIFTH AMENDMENT TO NOTE PURCHASE AGREEMENTS

THIS CONSENT AND FIFTH AMENDMENT TO NOTE PURCHASE AGREEMENTS, dated as of the 11th day of August, 2008 (this "Amendment"), is made by and between Culp, Inc., a North Carolina corporation (the "Company"), and the holders of Notes (as defined in the Note Purchase Agreements referred to below) set forth on the signature pages hereto (the "Noteholders").

RECITALS

A. The Company and certain financial institutions or entities have heretofore entered into separate and several Note Purchase Agreements, each dated as of March 4, 1998, as amended by that certain First Amendment to Note Purchase Agreements, dated as of January 31, 2002, that certain Second Amendment to Note Purchase Agreements, dated as of December 6, 2006, that certain Third Amendment to Note Purchase Agreements, dated as of April 17, 2007, and that certain Fourth Amendment to Note Purchase Agreements, dated as of February 19, 2008 (collectively, the "Note Purchase Agreements"), pursuant to which the Company has issued its $20,000,000 8.80% Series A Senior Notes due March 15, 2008 collectively (the "Series A Notes") and its $55,000,000 8.80% Series B Senior Notes due March 15, 2010 (collectively, the "Series B Notes", and together with the Series A Notes, the "Notes"). The Series A Notes matured on March 15, 2008, were repaid in full and are no longer outstanding. Capitalized terms used herein without definition shall have the meanings given to them in the Note Purchase Agreements.

B. The Company has requested that the Noteholders consent to the Company's purchase of certain assets and the assumption of certain liabilities of Bodet & Horst USA, L.P., a New York limited partnership, which assets and liabilities relate to the seller's business of the manufacture and sale of running meters of certain textiles, in the United States, Canada and Mexico (the *"B&H Acquisition"*) and, in consideration for such consent, the Company has offered to amend the Note Purchase Agreements as set forth herein.

C. The Noteholders have agreed to grant such consent and effect such amendments upon the terms and conditions set forth herein.

STATEMENT OF AGREEMENT

The parties hereto agree as follows:

1. Consent. Notwithstanding the terms of Section 10.10 of the Note Purchase Agreements, the Noteholders hereby consent to the B&H Acquisition; *provided* that (a) such sale occurs on or prior to August 22, 2008 and (b) the gross sales price paid in respect thereof does not exceed $11,500,000. The foregoing consent shall extend only to the matters expressly set forth above and not to any other provisions of the Note Purchase Agreements, all of which shall, except as hereinafter expressly provided, remain in full force and effect.

2. Incorporation of Additional Financial Covenants. In consideration of the Consent provided by the Noteholders pursuant to Section 1 hereof, the Company agrees that the following financial covenants (including, solely for purposes of such financial covenants, the defined terms used therein), which are forth in that certain Note Purchase Agreement, dated as of August 11, 2008, between the Company, United of Omaha Life Insurance Company and the other Purchaser named in Schedule A thereto (the *"2008 Note Purchase Agreement"*), as in effect on the date of this Amendment, are hereby incorporated by reference as if set forth in full in the Note Purchase Agreements. Failure of the Company to comply with any of the incorporated covenants shall constitute an Event of Default under Section 11(c) of the Note Purchase Agreements.

SECTION OF 2008 NOTE PURCHASE AGREEMENT	COVENANT
Section 10.2(a)	Ratio of Consolidated Total Debt to Consolidated EBITDA
Section 10.2(b)	Ratio of Consolidated EBITDAR to Consolidated Fixed Charges

For purposes of clarity, (a) the foregoing covenants are in addition to, and do not amend or modify, the covenants, related definitions and agreements of the Company contained in the Note Purchase Agreements as in effect immediately prior to the effectiveness of this Amendment and (b) no amendment or other modification of the above referenced Sections 10.2(a) and 10.2(b) of the 2008 Note Purchase Agreement shall constitute an amendment to the Note Purchase Agreements unless expressly agreed to in writing by the Required Holders.

3. Amendment to Section 9. Section 9 of each of the Note Purchase Agreements is amended by adding the following as new Section 9.7:

Section 9.7. *Guaranty by Subsidiaries.* The Company will cause each Subsidiary which becomes a borrower or a guarantor in respect of Indebtedness of the Company outstanding under any facility or agreement in respect of which senior Indebtedness of the Company may be outstanding (including, without limitation, the Credit Agreement and that certain Note Purchase Agreement, dated as of August 11, 2008, between the Company and the Purchasers named in Schedule A thereto and any replacement of either thereof) to concurrently enter into a Subsidiary Guaranty, and within three Business Days thereafter will deliver to each of the holders of the Notes the following items:

(a) an executed counterpart of such Subsidiary Guaranty or joinder agreement in respect of an existing Subsidiary Guaranty, as appropriate; and

(b) such other documents, certificates, legal opinions and information as the Required Holders reasonably may require regarding such Subsidiary, the authorization of the transactions contemplated by such Subsidiary Guaranty and the enforceability of such Subsidiary Guaranty, including without limitation an Intercreditor Agreement.

4. Amendment to Section 10.1. Paragraph (a) of Section 10.1 of each of the Note Purchase Agreements is hereby deleted in its entirety and is replaced with the following:

(a) Tangible Net Worth to be less than the sum of (a) $65,164,800, plus (b) an aggregate amount equal to 50% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal quarter, beginning with the fiscal quarter ending August 3, 2008.

5. Amendment to Section 10.7. Section 10.7 of each of the Note Purchase Agreements is hereby deleted in its entirety and is replaced with the following:

Section 10.7. *Sale and Lease-Back.* The Company will not, and will not permit any Subsidiary to, enter into or permit to remain in effect any Sale and Leaseback Transaction with any Person. Notwithstanding the foregoing, the Company may enter into a Sale and Leaseback Transaction relating to its corporate headquarters located in High Point, North Carolina; *provided* that (i) the sales price received by the Company in connection with such transaction is not less than $5,500,000, (ii) the proceeds of such sale (less reasonable expenses and taxes paid in connection therewith) are applied to the repayment of the Indebtedness secured by such corporate headquarters, and (iii) to the extent such transaction involves a Capital Lease, the Indebtedness incurred by the Company and attributable to such transaction (consisting of the aggregate Rentals to become due under the related lease, discounted from the respective due dates at the interest rate implicit in such Rentals and otherwise in accordance with GAAP) shall constitute Priority Debt and shall, at the time of such transaction and after giving effect thereto, be permitted within the limitations of Section 10.2(c) hereof; and *provided*, *further*, that the Company may seek in good faith the prior written consent of the Required Holders for a Sale and Leaseback Transaction relating to its corporate headquarters with a sales price of less than $5,500,000, it being understood that the manner in which the Company proposes to payoff all existing Indebtedness secured by such corporate headquarters must be acceptable to the Required Holders.

6. Addition of New Section 10.12. Section 10 of each of the Note Purchase Agreements is amended by adding the following as new Section 10.12:

Section 10.12. Liens and Reserves. The Company will not and will not permit and Subsidiary to (a) allow any Liens to exist on any of their respective properties securing the obligations of the Company or any Subsidiary under the Credit Agreement or (b) establish any liquidity reserves in connection with the Credit Agreement or otherwise.

7. Amendment to Schedule B. Schedule B is hereby amended by replacing the definitions of *"Priority Debt"* and *"Tangible Net Worth"* with the following:

"Priority Debt" means, without duplication, the sum of (i) all Indebtedness of the Company secured by any Lien with respect to any property owned by the Company or any of its Subsidiaries other than Liens permitted by paragraphs (a) through (k), both inclusive, of Section 10.3, (ii) all Indebtedness of Subsidiaries (except (x) Indebtedness held by the Company or a Wholly-Owned Subsidiary and (y) Guaranties and joint obligations of a Subsidiary with respect to Indebtedness of the Company, *provided* that such Subsidiary has delivered to the holders of the Notes a Subsidiary Guaranty and the other documents required by Section 9.7(b)), and (iii) Indebtedness described in clause (iii) of Section 10.7 attributable to a Sale and Leaseback Transaction involving the Company's corporate headquarters.

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

8. New Definitions. The following defined terms and definitions are herby inserted in appropriate alphabetical order in Schedule B to each of the Note Purchase Agreements:

"Adjusted Consolidated Net Worth" means, at any time,

(a) the sum of (i) the par value (or value stated on the books of the corporation) of the capital stock (but excluding Redeemable Preferred Stock, treasury stock and capital stock subscribed but unissued) of the Company and its Subsidiaries plus (ii) the amount of paid-in capital and retained earnings of the Company and its Subsidiaries, plus (iii) the amount equal to all Adjusted Restructuring Charges for all completed fiscal quarters, commencing with the fiscal quarter ended August 3, 2008, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Subsidiaries as prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries.

"Adjusted Restructuring Charges" means, collectively, (a) from and after the effective date of the Consent and Fifth Amendment to this Agreement dated as of August 11, 2008, through the term of this Agreement, (i) up to $1,000,000 in the aggregate in cash restructuring expenses and restructuring-related costs, and (ii) all non-cash restructuring expenses and restructuring-related costs, and (b) non-cash write-downs of deferred tax assets of the Company accounted for as "valuation allowances", in each case, as such amounts would be shown on consolidated financial statements of the Company and its Subsidiaries as prepared in accordance with GAAP. For purposes of clarity, it is understood and agreed that restructuring expenses and restructuring-related costs, as such terms are used in this definition, are expenses and costs related solely to the disposal of plants and other tangible assets of the Company and its Subsidiaries or the reduction in the work force or layoffs and not to the write-off or write-down of assets, impaired or otherwise.

"*Intercreditor Agreement*" means an agreement, in form and substance reasonably satisfactory to the Required Holders, among the holders of the Notes and each creditor of the Company to which a Subsidiary is then becoming obligated as a co-borrower or guarantor giving rise the requirements of Section 9.7, providing that payments received from any such Subsidiary following agreed upon enforcement events shall be shared on an equal and ratable basis.

"*Subsidiary Guaranty*" means any Guaranty of the obligations of the Company under this Agreement executed by a Subsidiary of the Company in connection with the requirements of Section 9.7 or otherwise, in form and substance reasonably satisfactory to the Required Holders, as the same has been and may be amended, restated, replaced or otherwise modified from time to time.

9. Conditions to Effectiveness of this Amendment. Notwithstanding any other provisions of this Amendment and without affecting in any manner the rights of the Noteholders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Company shall have no rights under this Amendment, until the Noteholders shall have received each of the following:

(a) executed counterparts to this Amendment from the Company and Noteholders constituting the Required Holders;

(b) evidence satisfactory to the Noteholders of the consummation of the B&H Acquisition and the closing of the transaction under the 2008 Note Purchase Agreement;

(c) a copy of the 2008 Note Purchase Agreement; and

(d) a copy of the consent and waiver delivered under the Credit Agreement.

10. Representations and Warranties. To induce the Noteholders to enter into this Amendment, the Company represents and warrants to the Noteholders that:

(a) the execution, delivery and performance by the Company of this Amendment and the consummation of the B&H Acquisition (i) are within its corporate power and authority; (ii) have been duly authorized by all necessary corporate action; (iii) will not contravene, result in a breach of, or constitute any default under, or result in the creation of any Lien in any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or by which the Company or any Subsidiary or any of its respective properties may be bound or affected, or (iv) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary;

(b) this Amendment has been duly executed and delivered for the benefit of or on behalf of the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms;

(c) after giving effect to this Amendment and to the consummation of the B&H Acquisition, the representations and warranties contained in Section 5 of each of the Note Purchase Agreements are true and correct in all material respects (except for any representations or warranties that speak only as of a specific earlier date), and no Default or Event of Default has occurred and is continuing as of the date hereof;

(d) neither the Company nor any Person on behalf of the Company has agreed to, directly or indirectly, pay any consideration or remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any creditor of the Company as consideration for or as an inducement to the consent of any such creditor to the B&H Acquisition; and

(e) attached hereto as Exhibit A is a true, correct and complete copy of the 2008 Note Purchase Agreement as in effect on the date hereof.

11. Miscellaneous.

11.1 Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed signature page to this Amendment by facsimile or electronic mail transmission shall be effective as delivery of a manually executed counterpart thereof. This Amendment shall become effective on the date on which all conditions set forth in Section 2 above have been satisfied.

11.2 Effect of Amendment. From and after the Effective Date, all references in any Note Purchase Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import referring to such Note Purchase Agreement shall mean and be a reference to such Note Purchase Agreement as amended by this Amendment. This Amendment is limited as specified and shall not constitute or be deemed to constitute an amendment, modification or waiver of any provision of any Note Purchase Agreement except as expressly set forth herein. Except as expressly amended hereby, the Note Purchase Agreements shall remain in full force and effect in accordance with their terms.

11.3 Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of New York, excluding choice-of-law principles of such laws that would require the application of the laws of a jurisdiction other than the State of New York.

11.4 Severability. To the extent any provision of this Amendment is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in any such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this Amendment in any jurisdiction.

11.5 Successors and Assigns. This Amendment shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto and of all other holders of Notes (including, without limitation, any subsequent holder of a Note).

11.6 Construction. The headings of the various sections and subsections of this Amendment have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

11.7. Legal Fees. As required by Section 15 of the Note Purchase Agreements, the Company agrees to pay the fees and disbursements of the Noteholders' special counsel, Chapman and Cutler LLP, incurred in connection with the negotiation, preparation, execution and delivery of this Amendment and the transactions contemplated hereby.

[Signatures Follow on Next Page]

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

CULP, INC.

By: /s/ Kenneth R. Bowling
Name: Kenneth R. Bowling
Title: Vice President and Chief Financial Officer

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA INVESTMENTS, INC.

By: /s/ Lori E. Hopkins
Name: Lori E. Hopkins
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts

By: CIGNA INVESTMENTS, INC.

By: /s/ Lori E. Hopkins
Name: Lori E. Hopkins
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA INVESTMENTS, INC.

By: /s/ Lori E. Hopkins
Name: Lori E. Hopkins
Title: Managing Director

BEACHSIDE & CO.

By: /s/ Lawrence Perreirn
Name: Lawrence Perreirn
Title: State Street Officer

MONY LIFE INSURANCE COMPANY

By: /s/ Amy Judd
Name: Amy Judd
Title: Investment Officer

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Curtis R. Caldwell
Name: Curtis R. Caldwell
Title: Senior Vice President

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Curtis R. Caldwell
Name: Curtis R. Caldwell
Title: Senior Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: Prudential Investment Management, Inc., as Investment Manager

By: /s/ Jay White
Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/ Jay White
Assistant Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Jay White
Vice President

Exhibit 99.1

Culp Announces Acquisition of Bodet & Horst USA Knitted Mattress Fabric Operations

HIGH POINT, N.C.--(BUSINESS WIRE)--Culp, Inc. (NYSE: CFI) today announced the acquisition of the knitted mattress fabrics operation of Bodet & Horst USA, LP ("B&H"). This business will be operated by Culp Home Fashions, the mattress fabrics division of Culp, Inc. For the past six years, B&H has been the company's primary source of knitted mattress fabric, a product category that has grown substantially in recent years for Culp's mattress fabric business. Pursuant to the terms of the purchase agreement, Culp is acquiring B&H's equipment, inventory and certain intellectual property. Culp will continue to manage the High Point manufacturing operation at the existing location with no production interruption or change in the day to day operations of the plant. The company is financing the purchase with a long term unsecured note with one of its current lenders, with no principal payment for three years.

Commenting on the announcement, Frank Saxon, president and chief executive officer of Culp, Inc., stated, "We are pleased to announce the acquisition of B&H and believe this transaction will further enhance Culp's strong service platform for our customers. Demand for this product line has grown significantly, as knits are increasingly being utilized on mattresses at volume retail price points. Mattress fabrics have been a driving force in Culp's business and accounted for 54 percent of the company's sales in the fourth quarter ended April 2008. Additionally, we have recently completed a $5.0 million capital project to significantly strengthen our woven mattress fabrics manufacturing operations and provide further reactive capacity for servicing our customers. With this weaving expansion and the completion of the B&H acquisition, Culp Home Fashions has substantially increased its commitment to the bedding industry. We are now positioned with a large and modern, vertically integrated manufacturing platform in all major product categories of the mattress fabrics industry. Our strategic focus in mattress fabrics continues to be providing our customers with outstanding delivery performance, quality, innovation and value."

"With this acquisition, Culp Home Fashions expects to improve upon supply logistics from pattern inception to fabric delivery, allowing accelerated responsiveness, stability and service for its customers," added Iv Culp, president of Culp Home Fashions. "We also look forward to extending our strong working relationship with B&H, one of the leading producers of knitted mattress fabrics, with operations in several European countries. Going forward, we will continue to collaborate on manufacturing projects and supply each other with products in different parts of the world. Culp will also serve as the primary agent for B&H to distribute sewn covers and fire protectors/socks to the North American mattress trade. We now have the unique ability to leverage the strengths of both companies and pursue additional growth opportunities in the global mattress fabrics business."

Culp, Inc. is one of the world’s largest marketers of mattress fabrics for bedding and upholstery fabrics for furniture. The company’s fabrics are used principally in the production of bedding products and residential and commercial upholstered furniture.

This release contains statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced or marketed by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s products less competitive on the basis of price in markets outside the United States and strengthening of currencies in Canada and China can have a negative impact on the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. The company’s level of success in integrating the business operations and assets acquired from Bodet & Horst could have an effect on operating efficiency, costs, and ultimately on profits. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report on Form 10-K.

CONTACT:
Culp, Inc.
Kenneth R. Bowling, Chief Financial Officer, 336-881-5630