

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the period ended August 3, 1997

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA

56-1001967

(State or other jurisdiction of

(I.R.S. Employer Identification No.)

incorporation

or

other

organization)

101 S. Main St., High Point, North Carolina
27261-2686

(Address of principal executive offices)

(zip code)

(910) 889-5161

(Registrant's telephone number, including area code)

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

YES X NO

Common shares outstanding at August 3, 1997: 12,649,128
Par Value: \$.05

INDEX TO FORM 10-Q
August 3, 1997

Part I - Financial Information.

Page

Item 1. Consolidated Financial Statements:	
Statements of Income--Three Months Ended August 3, 1997 and July 28, 1996	I-1
Balance Sheets--August 3, 1997, July 28, 1996 and April 27, 1997	I-2
Statements of Cash Flows---Three Months ended August 3, 1997 and July 28, 1996	I-3
Statements of Shareholders' Equity	I-4
Notes to Financial Statements	I-5
Sales by Product Category/Business Unit	I-9
International Sales by Geographic Area	I-10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation	I-11

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K	II-1-II-6
Signatures	11-7

CULP, INC.
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)

	Amounts			Percent of Sales	
	August 3, 1997	July 28, 1996	% Over (Under)	1997	1996
	----	----	-----	----	----
Net sales	\$ 99,498	90,529	9.9 %	100.0 %	100.0 %
Cost of sales	82,765	74,609	10.9 %	83.2 %	82.4 %
Gross profit	16,733	15,920	5.1 %	16.8 %	17.6 %
Selling, general and administrative expenses	10,916	10,864	0.5 %	11.0 %	12.0 %
Income from operations	5,817	5,056	15.1 %	5.8 %	5.6 %
Interest expense	1,280	1,182	8.3 %	1.3 %	1.3 %
Interest income	(90)	(57)	** %	(0.1)%	(0.1)%
Other expense (income), net	242	395	(38.7)%	0.2 %	0.4 %
Income before income taxes	4,385	3,536	24.0 %	4.4 %	3.9 %
Income taxes *	1,535	1,326	15.8 %	35.0 %	37.5 %
Net income	\$ 2,850	2,210	29.0 %	2.9 %	2.4 %
	=====	=====	=====	=====	=====
Average shares outstanding	12,631	11,297	11.8 %		
Net income per share	\$0.23	\$0.20	15.0 %		
Dividends per share	\$0.0350	\$0.0325	7.7 %		

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

** Measurement is not meaningful.

CULP, INC.
CONSOLIDATED BALANCE SHEETS
AUGUST 3, 1997, JULY 28, 1996 AND APRIL 27, 1997
Unaudited
(Amounts in Thousands)

	Amounts August 3, 1997	July 28, 1996	Increase (Decrease) Dollars Percent		April 28, 1996	* April 27," 1997
Current assets						
Cash and cash investments \$	1,843	1,709	134	7.8 %	498	830
Accounts receivable	54,086	42,262	11,824	28.0 %	52,038	56,691
Inventories	60,715	51,676	9,039	17.5 %	47,395	53,463
Other current assets	6,126	3,911	2,215	56.6 %	4,167	5,450
Total current assets	122,770	99,558	23,212	23.3 %	104,098	116,434
Restricted investments						
	8,186	5,244	2,942	56.1 %	5,274	11,018
Property, plant & equipment, net	97,128	78,292	18,836	24.1 %	76,961	91,231
Goodwill	22,111	22,720	(609)	(2.7)%	22,871	22,262
Other assets	3,124	2,469	655	26.5 %	2,440	3,007
	-----	-----	---	-----	-----	-----
Total assets	\$ 253,319	208,283	45,036	21.6 %	211,644	243,952
	=====	=====	=====	=====	=====	=====
Current Liabilities						
Current maturities of long-term debt \$	100	7,100	(7,000)	(98.6)%	7,100	100
Accounts payable	20,154	24,233	(4,079)	(16.8)%	27,308	29,903
Accrued expenses	11,972	13,295	(1,323)	(10.0)%	12,564	15,074
Income taxes payable	1,575	1,295	280	21.6 %	197	1,580
	-----	-----	---	-----	---	-----
Total current liabilities	33,801	45,923	(12,122)	(26.4)%	47,169	46,657
Long-term debt	96,016	70,916	25,100	35.4 %	74,941	76,541
Deferred income taxes	9,965	8,088	1,877	23.2 %	8,088	9,965
	-----	-----	---	-----	-----	-----
Total liabilities	139,782	124,927	14,855	11.9 %	130,198	133,163
	-----	-----	-----	-----	-----	-----
Shareholders' equity	113,537	83,356	30,181	36.2 %	81,446	110,789
	-----	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 253,319	208,283	45,036	21.6 %	211,644	243,952
	=====	=====	=====	=====	=====	=====
Shares outstanding	12,650	11,303	1,347	11.9 %	11,290	12,609
	=====	=====	=====	=====	=====	=====

Derived from audited financial statements.

* Derived from audited financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996
(Amounts in Thousands)

	THREE MONTHS ENDED	
	Amounts	
	August 3, 1997	July 28, 1996
	----	----
Cash flows from operating activities:		
Net income	\$ 2,850	2,210
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,256	3,144
Amortization of intangible assets	181	198
Provision for deferred income taxes	0	0
Changes in assets and liabilities:		
Accounts receivable	2,605	9,776
Inventories	(7,252)	(4,281)
Other current assets	(676)	280
Other assets	(147)	(76)
Accounts payable	(5,852)	131
Accrued expenses	(2,923)	731
Income taxes payable	(5)	1,098
	-----	-----
Net cash provided by (used in) operating activities	(7,963)	13,211
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(9,153)	(4,475)
Purchases of restricted investments	(8,590)	(53)
Purchase of investments to fund deferred compensation liability	0	0
Sale of restricted investments	11,422	59
	-----	-----
Net cash used in investing activities	(6,321)	(4,469)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	19,500	0
Principal payments on long-term debt	(25)	(4,025)
Change in accounts payable-capital expenditures	(3,897)	(3,206)
Cash dividends paid	(443)	(368)
Proceeds from common stock issued	162	68
	-----	-----
Net cash provided by (used in) financing activities	15,297	(7,531)
	-----	-----
Increase (decrease) in cash and cash investments	1,013	1,211
	-----	-----
Cash and cash investments at beginning of period	830	498
	-----	-----
Cash and cash investments at end of period	\$ 1,843	1,709
	=====	=====

Culp, Inc.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands, except per share data)

	Common Stock Shares	Amount	Capital Contributed in Excess of Par Value	Retained Earnings	Total Shareholders' Equity
Balance, April 28, 1996	11,290,300	\$ 565	\$ 16,878	\$ 64,003	\$ 81,446
Proceeds from public offering of 1,200,000 shares	1,200,000	60	16,235	16,295	
Cash dividends (\$0.13 per share)				(1,513)	(1,513)
Net income				13,770	13,770
Common stock issued in connection with stock option plan	118,459	5	786		791
Balance, April 27, 1997	12,608,759	\$ 630	\$ 33,899	\$ 76,260	\$ 110,789
Cash dividends (\$0.035 per share)				(443)	(443)
Net income				2,850	2,850
Common stock issued in connection with stock option plans	40,969	2	339		341
Balance, August 3, 1997	12,649,728	\$ 632	\$ 34,238	\$ 78,667	\$ 113,537

Culp, Inc.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

1. Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting of normal recurring adjustments) which the management of the company considers necessary for a fair statement of results for the interim periods.

Certain amounts for fiscal year 1997 have been reclassified to conform with the fiscal year 1998 presentation. Such reclassifications had no effect on net income as previously reported. All such adjustments are of a normal recurring nature.

The results of operations for the three months ended August 3, 1997 are not necessarily indicative of the results to be expected for the full year.

2. Accounts Receivable

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

	August 3, 1997	April 27, 1997
Customers	\$ 56,108	\$58,568
Allowance for doubtful accounts	(1,344)	(1,500)
Reserve for returns and allowances	(678)	(377)
	\$ 54,086	\$56,691

3. Inventories

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

A summary of inventories follows (dollars in thousands):

	August 3, 1997	April 27, 1997
Raw materials	\$ 37,941	\$ 32,025
Work-in-process	4,255	4,627
Finished goods	22,113	20,212
Total inventories valued at FIFO cost	64,309	56,864
Adjustments of certain inventories to the LIFO cost method	(3,594)	(3,401)
	\$ 60,715	\$ 53,463

4. Restricted Investments

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

5. Accounts Payable

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

	August 3, 1997	April 27, 1997
Accounts payable-trade	\$ 18,304	\$ 24,156
Accounts payable-capital expenditures	1,850	5,747
	\$ 20,154	\$ 29,903

6. Accrued Expenses

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

	August 3, 1997	April 27, 1997
--	----------------	----------------

Compensation and benefits	\$	7,807	\$	10,217
Other		4,165		4,857

	\$	11,972	\$	15,074

7. Long-term Debt

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

		August 3, 1997	April 27, 1997

Industrial revenue bonds and other obligations	\$	40,116	\$ 31,641
Revolving credit facility		52,000	41,000
Revolving line of credit		4,000	4,000

		96,116	76,641
Less current maturities		(100)	(100)

	\$	96,016	76,541

On April 23, 1997, the company entered into a revolving credit agreement (the "Credit Agreement") providing for a five-year unsecured multi-currency revolving credit facility with a syndicate of banks in the United States and Europe. The Credit Agreement provides for a revolving loan commitment of \$125,000,000 which declines \$5,000,000 at each of four annual dates beginning in April 1998. The agreement requires payment of a quarterly facility fee in advance.

The company has a \$4,000,000 revolving line of credit which expires on August 31, 1998 and will automatically be extended for an additional three-month period on each November 30, February 28, May 31, and August 31 unless the bank notifies the company that the line of credit will not be extended.

On July 17, 1997, the company obtained \$8,500,000 of new industrial revenue bond (IRB) financing related to the expansion of its plant and equipment at its Lumberton, North Carolina facility. The final maturity of this IRB is the year 2014. The remaining IRBs are substantially due in one-time payments at various dates from 2008 to 2013 and are collateralized by restricted investments of \$8,186,000 and letters of credit for \$41,341,000 at August 3, 1997.

The company's loan agreements require, among other things, that the company maintain compliance with certain positive and negative financial covenants. At August 3, 1997, the company was in compliance with these required financial covenants.

At August 3, 1997, the company had three interest rate swap agreements with a bank in order to reduce its exposure to floating interest rates on a portion of its variable rate borrowings. The following table summarizes certain data regarding the interest rate swaps.

notational amounts	interest rate	expiration date
\$15,000,000	7.3%	April 2000
\$ 5,000,000	6.9%	June 2002
\$ 5,000,000	6.6%	July 2002

The company believes it could terminate these agreements as of August 3, 1997 for approximately \$338,000. Net amounts paid under these agreements increased interest expense by approximately \$60,000 in 1998 and \$92,000 in 1997. Management believes the risk of incurring losses resulting from the inability of the bank to fulfill its obligation under the interest rate swap agreements to be remote and that any losses incurred would be immaterial.

The principal payment requirements of long-term debt during the next five years are: 1998 - \$75,000; 1999 - \$4,075,000; 2000 - \$200,000; 2001 - \$200,000; and 2002 - \$52,154,000.

8. Cash Flow Information

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

		1998	1997

Interest	\$	1,231	\$ 1,006
Income taxes		445	228

9. Foreign Exchange Forward Contracts

The company generally enters into foreign exchange forward and option contracts as a hedge against its exposure to currency fluctuations on firm commitments to purchase certain machinery and equipment and raw materials. Machinery and equipment and raw material purchases hedged by foreign exchange forward contracts are valued by using the exchange rate of the applicable foreign exchange forward contract. The company had approximately \$1,214,000 of outstanding foreign exchange option contracts as of August 3, 1997 (denominated in Belgian francs). The contracts outstanding at August 3, 1997 mature at various dates in fiscal 1998.

10. Subsequent Event

On August 5, 1997, the Company completed the acquisition of the business and certain assets relating to the upholstery fabric businesses operating as Phillips Weaving Mills, Phillips Velvet Mills, Phillips Printing and Phillips Mills. These operating units were purchased from Phillips Industries, Inc., a privately owned corporation based in High Point, North Carolina. Based on the terms of the definitive asset purchase agreement, the transaction is valued for accounting and reporting purposes at approximately \$36 million (including cash, retirement of debt and a non-compete agreement) under generally accepted accounting principles. Terms of the purchase also include additional compensation contingent upon attaining specified future growth objectives and an option for 100,000 shares of the Company's common stock.

CULP, INC.
 SALES BY PRODUCT CATEGORY/BUSINESS UNIT
 FOR THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Product Category/Business Unit	Amounts		% Over (Under)	Percent of Total Sales	
	August 3, 1997	July 28, 1996		1997	1996
Upholstery Fabrics					
Culp Textures	\$ 21,693	20,801	4.3 %	21.8 %	23.0 %
Rossville/Chromatex	18,121	18,165	(0.2)%	18.2 %	20.1 %
	-----	-----	-----	-----	-----
	39,814	38,966	2.2 %	40.0 %	43.0 %
Velvets/Prints	38,397	34,867	10.1 %	38.6 %	38.5 %
	-----	-----	-----	-----	-----
	78,211	73,833	5.9 %	78.6 %	81.6 %
Mattress Ticking					
Culp Home Fashions	21,287	16,696	27.5 %	21.4 %	18.4 %
	-----	-----	-----	-----	-----
* \$	99,498	90,529	9.9 %	100.0 %	100.0 %
	=====	=====	===	=====	=====

*U.S. sales were \$74,407 and \$70,556 for the three months of fiscal 1998 and fiscal 1997, respectively;

The percentage increase in U.S. sales was 5.5 % for the three months.

**US. Domestic sales were \$79,304 and \$71,112 for the three months of fiscal 1997 and fiscal 1996, respectively;

and \$149,860 and \$129,025 for the six months of fiscal 1997 and fiscal 1996, respectively. The percentage increases in U.S. Domestic sales was 11.5% for the three months and 16.1% for the six months.

CULP, INC.
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996

(Amounts in thousands)

Geographic Area	THREE MONTHS ENDED (UNAUDITED)			Percent of Total Sales	
	Amounts		% Over (Under)	1997	1996
	August 3, 1997	July 28, 1996			
North America (Excluding USA)	\$ 7,044	6,056	16.3 %	28.1 %	30.3 %
Europe	6,919	6,120	13.1 %	27.6 %	30.6 %
Middle East	6,564	4,196	56.4 %	26.2 %	21.0 %
Far East & Asia	3,524	2,627	34.1 %	14.0 %	13.2 %
South America	246	431	(42.9) %	1.0 %	2.2 %
All other areas	794	543	46.2 %	3.2 %	2.7 %
	\$ 25,091	19,973	25.6 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

"International sales, and the percentage of total sales, for each of the last seven fiscal years follows: fiscal 1991-\$ 20,295 (12%); "fiscal 1992-\$ 34,094 (18%); fiscal 1993-\$ 40,729 (20%); fiscal 1994-\$ 44,038 (18%); fiscal 1995-\$ 57,971 (19%); "fiscal 1996-\$ 77,397 (22%); and fiscal 1997-\$ 101,571 (25%). Year-to-date international sales represented 25% and 22% of total " sales for 1998 and 1997 respectively.

Certain amounts for fiscal year 1997 have been reclassified to conform with the fiscal year 1998 presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THREE MONTHS ENDED AUGUST 3, 1997

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

Overview

For the three months ended August 3, 1997, net sales rose 9.9% to \$99.5 million compared with \$90.5 million in the year-earlier period. Net income for the quarter totaled \$2.9 million, or \$0.23 per share, compared with \$2.2 million, or \$0.20 per share, for the first quarter of fiscal 1997. The increase in sales reflected significantly higher shipments of mattress ticking and, to a lesser degree, a gain in overall sales of upholstery fabrics to both U.S.-based and international manufacturers. The trend in incoming orders during the period remained positive, but the general pace of business was not as strong as a year ago. The growth in demand in some product categories and to U.S. manufacturers of residential furniture as a group began slowing during the second half of fiscal 1997. That pattern continued into fiscal 1998. Business conditions in the U.S. residential furniture industry have been negatively affected by the recent bankruptcies of two of the largest retailers of residential furniture. For the first quarter, sales to the U.S. residential furniture industry were down slightly compared to a year ago, but overall sales to U.S. customers (including bedding and other markets) increased 6% from a year ago. Sales to customers outside the United States rose 26% for the quarter. International sales are continuing to account for an increasing percentage of the company's total sales. Demand for the company's products is dependent on the various factors which affect consumer purchases of upholstered furniture and bedding including housing starts and sales of existing homes, the level of consumer confidence, prevailing interest rates for home mortgages and the availability of consumer credit.

Three Months Ended August 3, 1997 Compared With Three Months Ended July 28, 1996

Net Sales. Net sales for the first quarter increased by \$9.0 million, or 9.9%, compared with the year-earlier period. The Company's sales of upholstery fabrics increased \$4.4 million, or 5.9% in the first quarter compared with the prior year. Sales from the Velvets/Prints business unit were up 10.1% from the prior year. This unit has continued to benefit from increased international sales, but the strength in the U.S. dollar weakened relative to other international currencies has affected demand somewhat. Sales from the Culp Textures business unit were up for the quarter, but shipments by the Rossville/Chromatex unit were lower. Sales from the Culp Home Fashions unit, which principally consists of mattress ticking and bedding products, rose 27.5% from a year ago. The overall pace of business within the United States was not as strong as a year ago, reflecting a trend that initially developed during the second half of fiscal 1997. Sales to U.S.-based accounts rose 6% from a year ago, and international sales, consisting primarily of upholstery fabrics, increased to \$25.1 million, up 25.6% from a year ago. International shipments accounted for 25.2% of the Company's sales for the first quarter, up from 22.1% a year ago.

Gross Profit and Cost of Sales. Gross profit for the first quarter increased by \$813,000 and amounted to 16.8% of net sales compared with 17.6% a year ago. Factors which affected the company's profitability during the quarter included the slower growth in demand for certain fabric categories and from U.S. manufacturers of residential furniture as a group and start-up costs related to expansion projects. These factors were offset in part by the increased absorption of fixed costs as a result of the growth in sales as well as the benefit from the Company's ongoing capital investment in equipment designed to lower manufacturing costs and raise productivity. Management expects that gross profit will continue to be affected by start-up costs throughout the second fiscal quarter.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased as a percentage of net sales to 11.0% compared with 12.0% a year ago. The company is continuing to incur higher expenses related to expanded resources for designing new fabrics and increased selling commissions associated with international sales. These factors were offset by steps to contain operating expenses and by lower accruals as a percentage of net sales for incentive-based compensation plans.

Interest Expense. Net interest expense for the first quarter \$1.3 million was essentially unchanged from a year ago. Net interest expense is expected to increase in subsequent periods due principally to borrowings related to the acquisition of Phillips Mills that was completed on August 5, 1997.

Other Expense. Other expense decreased \$153,000 for the first quarter compared with a year ago, principally due to the non-recurring write-off a year ago of certain fixed assets totaling \$150,000.

Earnings Per Share. Earnings per share for the first quarter of fiscal 1998 totaled \$0.23 compared with \$0.20 a year ago. The weighted average number of outstanding shares increased 11.8% from a year ago, principally due to the Company's secondary offering completed in February 1997.

Liquidity and Capital Resources

Liquidity. Cash and cash investments were \$1.8 million as of August 3, 1997, compared with \$830,000 at the end of fiscal 1997. Funded debt (long-term debt, including current maturities, less restricted investments) increased to \$87.9 million at the close of the first quarter, up from \$72.8 million as of July 28, 1996 and \$65.6 million at the end of fiscal 1997. As a percentage of total capital (funded debt plus total shareholders' equity), the company's borrowings amounted to 43.6% as of August 3, 1997, compared with 46.6% as of July 28, 1996 and 37.2% at the end of fiscal 1997. The company's working capital as of August 3, 1997 was \$89.0 million compared with \$69.8 million at the close of fiscal 1997.

Because of seasonal factors, the Company typically generates the majority of its cash from operating activities during the second fiscal half. Cash of \$8.0 million was used during the first quarter to fund operating activities, principally increases in inventories and accounts payable. Capital expenditures during the first quarter totaled \$9.2 million. Financing activities, principally long-term borrowings, provided \$15.3 million in cash to fund operating activities and capital investments.

Financing Arrangements. As of August 3, 1997, the Company had outstanding balances of \$52 million under its \$125 million syndicated five-year, unsecured, multi-currency revolving credit facility. The Company also has a total of \$40 million in outstanding industrial revenue bonds ("IRBs") which have been used to finance capital expenditures. The IRBs are collateralized by restricted investments of \$8.2 million as of August 3, 1997 and letters of credit for the outstanding balance of the IRBs and certain interest payments due thereunder. Because of federal tax laws, additional IRB financing will not be available to the Company until the amount of its outstanding IRBs is substantially reduced.

The Company's loan agreements require, among other things, that the Company maintain certain financial ratios. As of August 3, 1997, the Company was in compliance with the required financial covenants.

As of August 3, 1997, the Company had three interest rate swap agreements on a \$25 million notional amount to reduce its exposure to floating interest rates. The effect of these contracts is to "fix" the interest rate payable on \$25 million of the Company's bank borrowings at a weighted average rate of 7.1%. The Company also enters into foreign exchange forward contracts to hedge against currency fluctuations with respect to firm commitments to purchase machinery, equipment and certain raw materials when those commitments are denominated in foreign currencies.

Capital Expenditures. The Company maintains a significant program of capital expenditures designed to increase capacity as needed, enhance manufacturing efficiencies through modernization and increase the company's vertical integration. The company anticipates spending approximately \$27 million for capital expenditures in 1998. The company believes that cash flows from operations and funds available under existing credit facilities will be sufficient to fund capital expenditures and working capital requirements for the foreseeable future.

Phillips Mills Acquisition

On August 5, 1997, the Company completed the acquisition of the business and certain assets relating to the upholstery fabric businesses operating as Phillips Weaving Mills, Phillips Velvet Mills, Phillips Printing and Phillips Mills. These operating units were purchased from Phillips Industries, Inc., a privately owned corporation based in High Point, North Carolina. Based on the terms of the definitive asset purchase agreement, the transaction is valued for accounting and reporting purposes at approximately \$36 million (including cash, retirement of debt and a non-compete agreement) under generally accepted accounting principles. Terms of the purchase also include additional compensation contingent upon attaining specified future growth objectives and an option for 100,000 shares of the Company's common stock.

Funds for the cash portion of the transaction were provided from the Company's revolving credit facility.

Inflation

Although the Company's costs of raw materials have been relatively stable thus far in fiscal 1998, these expenses are generally higher than a year ago. Other operating expenses, such as labor, utilities and manufacturing supplies, have also increased. Competitive conditions have not allowed the company to offset the impact of these increases fully through higher prices, thereby putting pressure on profit margins. The net impact on margins will continue to be influenced by raw material prices, other operating costs and competitive conditions.

Seasonality

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

Forward-Looking Information

The company's report on Form 10-Q may contain statements that could be deemed forward-looking statements within the Private Securities Litigation Reform Act of 1995, which are inherently subject to risks and uncertainties. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Factors that could influence the matters discussed in the forward-looking statements include the level of housing starts and sales of existing homes, consumer confidence and trends in disposable income. 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 adversely affect the Company. Because of the increasing percentage of the Company's sales that is derived from shipments to customers outside the United States, the relative value of the U.S. dollar relative to other currencies can affect the competitiveness of the company's products in international markets.

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report or incorporated by reference. Management contracts, compensatory plans, and arrangements are marked with an asterisk (*).

- 3(i) Articles of Incorporation of the Company, as amended, were filed as Exhibit 3(i) to the Company's Form 10-Q for the quarter ended January 29, 1995, filed March 15, 1995, and are incorporated herein by reference.
- 3(ii) Restated and Amended Bylaws of the Company, as amended, were filed as Exhibit 3(b) to the Company's Form 10-K for the year ended April 28, 1991, filed July 25, 1991, and are incorporated herein by reference.
- 10(a) Loan Agreement dated December 1, 1988 with Chesterfield County, South Carolina relating to Series 1988 Industrial Revenue Bonds in the principal amount of \$3,377,000 was filed as Exhibit 10(n) to the Company's Form 10-K for the year ended April 29, 1989, and is incorporated herein by reference.
- 10(b) Loan Agreement dated November 1, 1988 with the Alamance County Industrial Facilities and Pollution Control Financing Authority relating to Series A and B Industrial Revenue Refunding Bonds in the principal amount of \$7,900,000, was filed as exhibit 10(o) to the Company's Form 10-K for the year ended April 29, 1990, and is incorporated herein by reference.
- 10(c) Loan Agreement dated January, 1990 with the Guilford County Industrial Facilities and Pollution Control Financing Authority, North Carolina, relating to Series 1989 Industrial Revenue Bonds in the principal amount of \$4,500,000, was filed as Exhibit 10(d) to the Company's Form 10-K for the year ended April 19, 1990, filed on July 15, 1990, and is incorporated herein by reference.
- 10(d) Loan Agreement dated as of December 1, 1993 between Anderson County, South Carolina and the Company relating to \$6,580,000 Anderson County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993, was filed as Exhibit 10(o) to the Company's Form 10-Q for the quarter ended January 30, 1994, filed March 16, 1994, and is incorporated herein by reference.
- 10(e) Severance Protection Agreement, dated September 21, 1989, was filed as Exhibit 10(f) to the Company's Form 10-K for the year ended April 29, 1990, filed on July 25 1990, and is incorporated herein by reference. (*)
- 10(f) Lease Agreement, dated January 19, 1990, with Phillips Interests, Inc. was filed as Exhibit 10(g) to the Company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference.
- 10(g) Management Incentive Plan of the Company, dated August 1986 and amended July 1989, filed as Exhibit 10(o) to the Company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference. (*)
- 10(h) Lease Agreement, dated September 6, 1988, with Partnership 74 was filed as Exhibit 10(h) to the Company's Form 10-K for the year ended April 28, 1991, filed on July 25, 1990, and is incorporated herein by reference.
- 10(i) Amendment and Restatement of the Employees's Retirement Builder Plan of the Company dated May 1, 1981 with amendments dated January 1, 1990 and January 8, 1990 were filed as Exhibit 10(p) to the Company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference. (*)
- 10(j) First Amendment of Lease Agreement dated July 27, 1992 with Partnership 74 Associates was filed as Exhibit 10(n) to the Company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(k) Second Amendment of Lease Agreement dated April 16, 1993, with Partnership 52 Associates was filed as Exhibit 10(l) to the Company's Form

10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.

- 10(l) 1993 Stock Option Plan was filed as Exhibit 10(o) to the Company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference. (*)
- 10(m) First Amendment to Loan Agreement dated as of December 1, 1993 by and between The Guilford County Industrial Facilities and Pollution Control Financing Authority and the Company was filed as Exhibit 10(p) to the Company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(n) First Amendment to Loan Agreement dated as of December 16, 1993 by and between The Alamance County Industrial Facilities and Pollution Control Financing Authority and the Company was filed as Exhibit 10(q) to the Company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(o) First Amendment to Loan Agreement dated as of December 16, 1993 by and between Chesterfield County, South Carolina and the Company was filed as Exhibit 10(r) to the Company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(p) Amendment to Lease dated as of November 4, 1994, by and between the Company and RDC, Inc. was filed as Exhibit 10(w) to the Company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.
- 10(q) Amendment to Lease Agreement dated as of December 14, 1994, by and between the Company and Rossville Investments, Inc. (formerly known as A & E Leasing, Inc.) was filed as Exhibit 10(y) to the Company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.
- 10(r) Interest Rate Swap Agreement between Company and First Union National Bank of North Carolina dated April 17, 1995, was filed as Exhibit 10(aa) to the Company's Form 10-K for the year ended April 28, 1996, filed on July 26, 1995, and is incorporated herein by reference.
- 10(s) Performance-Based Stock Option Plan, dated June 21, 1994, was filed as Exhibit 10(bb) to the Company's Form 10-K for the year ended April 28, 1996, filed on July 26, 1995, and is incorporated herein by reference. (*)
- 10(t) Interest Rate Swap Agreement between Company and First Union National Bank of North Carolina, dated May 31, 1995 was filed as exhibit 10(w) to the Company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.
- 10(u) Interest Rate Swap Agreement between Company and First Union National Bank of North Carolina, dated July 7, 1995 was filed as exhibit 10(x) to the Company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.
- 10(v) Second Amendment of Lease Agreement dated June 15, 1994 with Partnership 74 Associates was filed as Exhibit 10(v) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(w) Lease Agreement dated November 1, 1993 by and between the Company and Chromatex, Inc. was filed as Exhibit 10(w) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(x) Lease Agreement dated November 1, 1993 by and between the Company and Chromatex Properties, Inc. was filed as Exhibit 10(x) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(y) Amendment to Lease Agreement dated May 1, 1994 by and between the Company and Chromatex

Properties, Inc. was filed as Exhibit 10(y) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.

- 10(z) Canada-Quebec Subsidiary Agreement on Industrial Development (1991), dated January 4, 1995, was filed as Exhibit 10(z) to the Company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(aa) Loan Agreement between Chesterfield County, South Carolina and the Company dated as of April 1, 1996 relating to Tax Exempt Adjustable Mode Industrial Development Bonds (Culp, Inc. Project) Series 1996 in the aggregate principal amount of \$6,000,000 was filed as Exhibit 10(aa) to the Company's Form 10-K for the year ended April 28, 1996, and is incorporated herein by reference.
- 10(bb) Loan Agreement between the Alamance County Industrial Facilities and Pollution Control Financing Authority, North Carolina and the Company, dated December 1, 1996, relating to Tax Exempt Adjustable Mode Industrial Development Revenue Bonds, (Culp, Inc. Project Series 1996) in the aggregate amount of \$6,000,000 was filed as Exhibit 10(cc) to the Company's Form 10-Q for the quarter ended January 26, 1997, and is incorporated herein by reference.
- 10(cc) Loan Agreement between Luzerne County, Pennsylvania and the Company, dated as of December 1, 1996, relating to Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996 in the aggregate principal amount of \$3,500,000 was filed as Exhibit 10(dd) to the Company's Form 10-Q for the quarter ended January 26, 1997, and is incorporated herein by reference.
- 10(dd) Second Amendment to Lease Agreement between Chromatex Properties, Inc. and the Company, dated April 17, 1997 was filed as Exhibit 10(dd) to the Company's Form 10-K for the year ended April 27, 1997, and is incorporated herein by reference.
- 10(ee) Lease Agreement between Joseph E. Proctor (doing business as JEPCO) and the Company, dated April 21, 1997.
- 10(ff) \$125,000,000 Revolving Loan Facility dated April 23, 1997 by and among the Company and Wachovia Bank of Georgia, N.A., as agent, and First Union National Bank of North Carolina, as documentation agent.
- 10(gg) Revolving Line of Credit for \$4,000,000 dated April 23, 1997 by and between the Company and Wachovia Bank of North Carolina, N.A.
- 10(hh) Reimbursement and Security Agreement between Culp, Inc. and Wachovia Bank of North Carolina, N.A., dated as of April 1, 1997, relating to \$3,337,000 Principal Amount, Chesterfield County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1988.

Additionally, there are Reimbursement and Security Agreements between Culp, Inc. and Wachovia Bank of North Carolina, N.A., dated as of April 1, 1997 in the following amounts and with the following facilities:

\$7,900,000 Principal Amount, Alamance County Industrial Facilities and Pollution Control Financing Authority Industrial Revenue Refunding Bonds (Culp, Inc. Project) Series A and B.

\$4,500,000 Principal Amount, Guilford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1989.

\$6,580,000 Principal Amount, Anderson County South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993.

\$6,000,000 Principal Amount, Chesterfield County, South Carolina Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996.

\$6,000,000 Principal Amount, The Alamance County

Industrial Facilities and Pollution Control Financing Authority Tax-exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996.

\$3,500,000 Principal Amount, Luzerne County Industrial Development Authority Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1996.

10(ii) Loan Agreement and Reimbursement and Security Agreement dated July 1, 1997 with the Robeson County Industrial Facilities and Pollution Control Financing Authority relating to the issuance of Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project), Series 1997 in the aggregate principal amount of \$8,500,000.

27 Financial Data Schedule

(b) Reports on Form 8-K:

The following report on Form 8-K was filed during the period covered by this report:

(1) Form 8-K dated August 12, 1997, included under Item 5, Other Events, disclosure of the company's press release for quarterly earnings and the company's Financial Information Release relating to the financial information for the first quarter ended August 3, 1997.

SIGNATURES

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

CULP, INC.

(Registrant)

Date: September 16, 1997

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

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

Date: September 16, 1997

By s/s Stephen T. Hancock
Stephen T. Hancock
General Accounting Manager

LOAN AGREEMENT

between

THE ROBESON COUNTY INDUSTRIAL FACILITIES AND
POLLUTION CONTROL FINANCING AUTHORITY

and

CULP, INC.

Dated as of July 1, 1997

Relating to
Tax-Exempt Adjustable Mode
Industrial Development Revenue Bonds
(Culp, Inc. Project)
Series 1997

in the aggregate principal amount of \$8,500,000

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

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1.	Definitions.....	2
Section 1.2.	Rules of Construction.....	5

ARTICLE II

REPRESENTATIONS

Section 2.1.	Representations by the Issuer.....	5
Section 2.2.	Representations by the Company.....	7

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1.	Agreement to Undertake and Complete the Project.....	9
Section 3.2.	Disbursements from the Initial Fund.....	9
Section 3.3.	Establishment of Completion Date and Certificate as to Completion.....	10
Section 3.4.	Closeout of Initial Fund; Disposition of Balance in Initial Fund.....	10
Section 3.5.	Company Required to Pay Costs in Event Initial Fund Insufficient.....	11
Section 3.6.	Company and Issuer Representatives and Successors.....	11
Section 3.7.	Investment of Moneys in Funds.....	12
Section 3.8.	Plans and Specifications.....	12

ARTICLE IV

ISSUANCE OF THE BONDS

Section 4.1.	Agreement to Issue the Bonds.....	13
Section 4.2.	No Third-Party Beneficiary.....	13

ARTICLE V

LOAN; PAYMENT PROVISIONS

Section 5.1.	Loan of Proceeds.....	13
Section 5.2.	Amounts Payable.....	14
Section 5.3.	Unconditional Obligations.....	15
Section 5.4.	Prepayments.....	15

Section 5.5.	Credits Against Payments.....	15
Section 5.6.	Credit Facility and Alternate Credit Facility.....	15
Section 5.7.	Interest Rate Determination Method.....	16

ARTICLE VI

MAINTENANCE AND TAXES

Section 6.1.	Company's Obligations to Maintain and Repair.....	16
Section 6.2.	Taxes and Other Charges.....	16

ARTICLE VII

INSURANCE, EMINENT DOMAIN AND DAMAGE AND DESTRUCTION

Section 7.1.	Insurance.....	16
Section 7.2.	Provisions Respecting Eminent Domain.....	17
Section 7.3.	Damage and Destruction.....	17

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1.	Access to the Property and Inspection.....	17
Section 8.2.	Financial Statements.....	17
Section 8.3.	Further Assurances and Corrective Instruments.....	17
Section 8.4.	Recording and Filing; Other Instruments.....	18
Section 8.5.	Exclusion from Gross Income for Federal Income Tax Purposes of Interest on the Bonds.....	18
Section 8.6.	Indemnity Against Claims.....	19
Section 8.7.	Release and Indemnification.....	19
Section 8.8.	Compliance with Laws.....	20
Section 8.9.	Non-Arbitrage Covenant.....	20
Section 8.10.	Notice of Determination of Taxability.....	20
Section 8.11.	No Purchase of Bonds by Company or Issuer.....	20
Section 8.12.	Maintenance of Corporate Existence.....	21
Section 8.13.	Company Approval of Indenture.....	22
Section 8.14.	Duties and Obligations.....	22
Section 8.15.	Outstanding Bonds.....	22

ARTICLE IX

ASSIGNMENT, LEASE AND SALE

Section 9.1.	Restrictions on Transfer of Issuer's Rights.....	22
Section 9.2.	Assignment by the Issuer.....	22
Section 9.3.	Assignment, Lease or Sale of Project or Assignment of Agreement by Company.....	23

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1.	Events of Default Defined.....	24
Section 10.2.	Remedies on Default.....	25
Section 10.3.	Application of Amounts Realized in Enforcement of Remedies.....	26
Section 10.4.	No Remedy Exclusive.....	26
Section 10.5.	Agreement to Pay Attorneys' Fees and Expenses.....	26
Section 10.6.	Issuer and Company to Give Notice of Default.....	26

ARTICLE XI

PREPAYMENTS; PURCHASE OF BONDS

Section 11.1.	Optional Prepayments.....	26
Section 11.2.	Mandatory Prepayment Upon a Determination of Taxability or Cessation of Operation.....	27
Section 11.3.	Optional Purchase of Bonds.....	28
Section 11.4.	Relative Priorities.....	28
Section 11.5.	Prepayment to Include Fees and Expenses.....	28
Section 11.6.	Purchase of Bonds.....	28

ARTICLE XII

MISCELLANEOUS

Section 12.1.	Amounts Remaining in Funds.....	29
Section 12.2.	No Implied Waiver.....	30
Section 12.3.	Issuer Representative.....	30
Section 12.4.	Company Representative.....	30
Section 12.5.	Notices.....	30
Section 12.6.	Issuer, Commission, Governing Body, Members, Commissioners, Directors, Officers, Agents, Attorneys and Employees of Issuer, Commission and Governing Body Not Liable.....	30
Section 12.7.	No Liability of Issuer; No Charge Against Issuer's Credit.....	31
Section 12.8.	If Performance Date Not a Business Day.....	31
Section 12.9.	Binding Effect.....	31

Section 12.10.	Severability.....	31
Section 12.11.	Amendments, Changes and Modifications.....	32
Section 12.12.	Execution in Counterparts.....	32
Section 12.13.	Applicable Law.....	32

- Exhibit A - Description of the Project
- Exhibit B - Form of Requisition and Certificate
- Exhibit C - Form of Promissory Note
- Exhibit D - Representations and Warranties

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of July 1, 1997, is made and entered into by and between THE ROBESON COUNTY INDUSTRIAL FACILITIES AND POLLUTION CONTROL FINANCING AUTHORITY (the "Issuer"), a political subdivision duly organized and existing under the Constitution and laws of the State of North Carolina (the "State"), and CULP, INC. (the "Company"), a North Carolina corporation;

W I T N E S S E T H:

WHEREAS, the Industrial and Pollution Control Facilities Financing Act, Chapter 159C of the General Statutes of North Carolina, as amended (the "Act"), authorizes the creation of industrial facilities and pollution control financing authorities by the several counties in North Carolina and empowers such authorities to acquire, construct, own, repair, maintain, extend, improve, rehabilitate, renovate, furnish, equip and sell, lease, exchange, transfer or otherwise dispose of industrial or manufacturing facilities to the end that such authorities may be able to promote the right to gainful employment opportunity and private industry and thereby promote the general welfare of the inhabitants of North Carolina by exercising such powers to aid in financing industrial or manufacturing facilities for the purpose of alleviating unemployment or raising below average manufacturing wages and further authorizes such authorities to loan to others the proceeds of bonds issued for the purpose of paying for all or any part of an industrial or manufacturing facility, to mortgage and pledge any or all of such facilities, whether then owned or thereafter acquired, as security for the payment of the principal of, premium, if any, and interest on any such bonds and any agreements made in connection therewith and to pledge or assign the revenues and receipts from such facilities or loan or from any other source to the payment of such bonds; and

WHEREAS, the Issuer has been duly organized pursuant to the Act; and

WHEREAS, in order to further the purposes of the Act, the Issuer proposes to undertake the financing of the acquisition and renovation of an existing building and the acquisition and installation of certain equipment therein all for use as a manufacturing facility for the wet printing of flock fabric in Robeson County, North Carolina (the "Project"), which constitutes an industrial project under the Act, and to obtain the funds therefor by the issuance of its Bonds (as hereinafter defined) under an Indenture of Trust securing such Bonds, between the Issuer and First-Citizens Bank & Trust Company, Raleigh, North Carolina, as Trustee, dated as of the date hereof (the "Indenture"); and

WHEREAS, the Issuer proposes to loan the proceeds from the sale of the Bonds, as hereinafter defined, to the Company to acquire and install the Project upon the terms and conditions hereinafter set forth; and

WHEREAS, the Company and Wachovia Bank, National Association will enter into a Reimbursement Agreement (the "Reimbursement Agreement") dated as of the date hereof pursuant to which the Bank will issue an irrevocable letter of credit in an amount not to exceed \$8,925,000 to the Trustee at the request and for the account of the Company upon the terms set forth in the Reimbursement Agreement; and

WHEREAS, it has been determined that the financing of the acquisition and installation of the Project will require the issuance, sale and delivery by the Issuer of a series of bonds in the aggregate principal amount of \$8,500,000 (the "Bonds"); and

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

ARTICLE I ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section I.1. Definitions. In addition to the words and terms elsewhere defined in this Agreement, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Indenture shall have the same meanings when used herein as assigned in the Indenture unless the context or use clearly indicates another or different meaning or intent:

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

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

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

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

"Cessation of Operation" has the meaning set forth in Section 11.2(b) hereof.

"Commission" means the Local Government Commission of North Carolina, a division of the Department of State Treasurer, and any successor or successors thereto.

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

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

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

(a) fees and expenses incurred in preparing the plans and specifications for the Project (including any preliminary study or planning or any aspect thereof); any labor, services, materials and supplies used or furnished in site improvement; any equipment for the Project; any acquisition necessary to provide utility or other services, including water supply, sewage and waste disposal facilities; and all real and tangible personal property deemed necessary by the Company and acquired in connection with the Project;

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

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

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

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

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

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

"Eminent Domain" means the taking of title to, or the temporary use of, the Project or any part thereof pursuant to eminent domain or condemnation proceedings, or by any settlement or compromise of such

proceedings, or any voluntary conveyance of the Project or any part thereof during the pendency of, or as a result of a threat of, such proceedings.

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

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

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

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

"Note" means the Company's promissory note in the principal amount of \$8,500,000 in the form of Exhibit C, as it may be amended from time to time.

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

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

"Project" means, collectively, the property described in Exhibit-A hereto, as the same may at any time exist.

"Remarketing Agreement" means the Remarketing and Interest Services Agreement, dated as of July 1, 1997, between the Company and the Remarketing Agent.

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

I.2. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

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

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

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

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

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

ARTICLE IIARTICLE II

REPRESENTATIONS

Section II.1. Representations by the Issuer. The Issuer represents and warrants as follows:

(a) The Issuer is a duly constituted political subdivision and body corporate and politic of the State established under the Act and is authorized by the Act to execute and to enter into this Agreement and to undertake the transactions contemplated herein and to carry out its obligations hereunder.

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

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

(d) This Agreement is, and each other Bond Document to which the Issuer is a party when delivered will be, legal, valid and binding

special obligations of the Issuer enforceable against the Issuer in accordance with its terms.

(e) There is no default of the Issuer in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Bond Documents or the ability of the Issuer to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

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

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

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

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

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

(k) The Issuer has obtained from the Governing Body approval of the issuance of the Bonds required by Section 159C-4(d) of the Act, from the Secretary of the Department of Commerce of the State approval of the Project required by Section 159C-7 of the Act and from the Local Government Commission of the State the approvals required by Sections 159C-6, -8 and -9 of the Act.

II.2. Representations by the Company. The Company represents and warrants as follows:

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

(b) The execution and delivery of the Bond Documents to which it is a party, consummation of the transactions contemplated hereby and thereby and by the Bond Documents to which it is not a party, and the fulfillment of or compliance with the terms and conditions hereof and thereof will not conflict with or constitute a breach of or a default under the Company's articles of incorporation or bylaws or any agreement or instrument to which the Company is a party or any existing law, administrative regulation, court order or consent decree to which the Company is subject, or by which it or any of its property is bound.

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

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

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

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

(g) The Project is of the type authorized and permitted by the Act, and the Project is substantially the same in all material respects to that described in the notice of public hearing published on March 27, 1997.

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

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

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

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

(l) The Project will be located wholly within Robeson County, North Carolina.

(m) The representations and warranties contained in Exhibit D and made a part hereof are true and complete.

ARTICLE IIIARTICLE III

ACQUISITION OF THE PROJECT

Section III.1. Agreement to Undertake and Complete the Project. The Company covenants and agrees to undertake and complete the Acquisition of the Project. Upon written request of the Issuer or the Trustee, the Company agrees to make available to the Issuer and the Trustee (for review and copying) all the then current Plans and Specifications for the Project.

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

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

III.2. Disbursements from the Initial Fund. In the Indenture, the Issuer has authorized and directed the Trustee to use the moneys in the Initial Fund for payment or reimbursement to the Company of the Costs of the Project.

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

(a) the requisition and certificate number;

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

(c) the amount to be paid;

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

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

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

Interest on the Bonds and all legal, consulting and issuance expenses shall be set forth separately in any requisition and certificate requesting payment therefor. Such requisitions and certificates shall be consecutively numbered. Upon request, the Company shall furnish the Issuer or the Trustee with copies of invoices or other appropriate documentation supporting payments or reimbursements requested pursuant to this Section 3.2. The Issuer and the Trustee may rely conclusively upon any statement made in any such requisition and certificate.

Section III.3. Establishment of Completion Date and Certificate as to Completion. The Completion Date shall be the date on which the Company Representative signs and delivers to the Trustee a certificate stating that, except for amounts retained by the Trustee for Costs of the Project not then due and payable, or the liability for which the Company is, in good faith, contesting or disputing, (a) the Project has been completed to the satisfaction of the Company, and all labor, services, materials and supplies used in such Acquisition have been paid for, and (b) the Project is suitable and sufficient for the efficient operation as a "project" (as defined in the Act).

Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

Section III.4. Closeout of Initial Fund; Disposition of Balance in Initial Fund. All moneys and any unliquidated investments remaining in the Initial Fund on the Completion Date and after payment in full of the Costs of the Project (except for costs not then due and payable, or disputed amounts, for the payment of which the Trustee shall have retained amounts as hereinafter provided) shall, as soon as practicable after the Completion Date, and no later than ninety days thereafter, at the direction of the Company, be delivered to the Trustee for deposit in the Surplus Fund. The Trustee shall, at the direction of the Company Representative, retain moneys in the Initial Fund for payment of Costs of the Project not then due and payable or which are disputed. Any balance of such retained funds remaining after full payment of such Costs of the Project shall at the direction of the Company be delivered to the Trustee for deposit in the Surplus Fund to be applied to the redemption of Bonds in accordance with the terms of the Indenture.

Section III.5. Company Required to Pay Costs in Event Initial Fund Insufficient. If the moneys in the Initial Fund available for payment of the Costs of the Project should not be sufficient to make such payments in full, the Company agrees to pay directly (or to deposit moneys in the Initial Fund for the payment of) such costs of completing the Project as may be in excess of the moneys available therefor in the Initial Fund. THE ISSUER DOES NOT MAKE ANY WARRANTY OR REPRESENTATION (EITHER EXPRESS OR IMPLIED) THAT THE MONEYS DEPOSITED INTO THE INITIAL FUND AND AVAILABLE FOR PAYMENT OF THE COSTS OF THE PROJECT, UNDER THE PROVISIONS OF THIS AGREEMENT, WILL BE SUFFICIENT TO PAY ALL OF THE COSTS OF THE PROJECT. If, after exhausting the moneys in the Initial Fund for any reason (including, without limitation, losses on investments made by the Trustee under the Indenture), the Company pays, or deposits moneys in the Initial Fund for the payment of, any portion of the Costs of the Project pursuant to the provisions of this Section 3.5, the Company shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee, nor shall it be entitled to any diminution of the amounts payable under Section-5.2.

Section III.6. Company and Issuer Representatives and Successors. At or prior to the initial sale of the Bonds, the Company and the Issuer shall appoint a Company Representative and an Issuer Representative, respectively, for the purpose of taking all actions and delivering all certificates required to be taken and delivered by the Company Representative and the Issuer Representative under the provisions of this Agreement. The Company and the Issuer, respectively, may appoint alternate Company Representatives and alternate Issuer Representatives to take any such action or make any such certificate if the same is not taken or made by the Company Representative or the Issuer Representative. In the event any of such persons, or any successor appointed pursuant to the provisions of this Section 3.6, should resign or become unavailable or unable to take any action or deliver any certificate provided for in this Agreement, another Company Representative or alternate Company Representative, or another Issuer Representative or alternate Issuer Representative, shall thereupon be appointed by the Company or the Issuer, respectively. If the Company or the Issuer fails to make such designation within ten (10) days following the date when the then incumbent Company Representative or Issuer Representative resigns or becomes unavailable or unable to take any such actions, the President or any Vice President of the Company, or the Chairman or the Vice Chairman of the Issuer, shall serve as the Company Representative or the Issuer Representative, respectively.

Whenever the provisions of this Agreement require the Company's approval or require the Issuer or the Trustee to take some action at the request or direction of the Company, the Company Representative shall make, in writing, such approval or such request or direction unless otherwise specified in this Agreement. Any Company action so taken with the written approval of or at the written direction of the Company Representative shall be binding upon the Company.

Section III.7. Investment of Moneys in Funds. The Trustee may invest or reinvest any moneys held pursuant to the Indenture to the extent permitted by Section 4.7 of the Indenture and by law (but subject to the provisions of Section 8.9(a) hereof), in Permitted Investments, as defined in the Indenture, as directed by a Company Representative.

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

The Trustee may make any and all such investments through its own bond department or trust investments department. Any interest accruing on or profit realized from the investment of any moneys held as part of the Initial Fund shall be credited to the Initial Fund, and any loss resulting from such investment shall be charged to the Initial Fund. Any interest accruing on or profit realized from the investment of any moneys held as a part of the Bond Fund shall be credited to the Bond Fund, and any loss resulting from such

investment shall be charged to the Bond Fund. Neither the Issuer nor the Trustee shall be liable for any loss resulting from any such investments, provided the Trustee has performed its respective obligations under Section 4.7 of the Indenture in accordance with Section 7.1(b) of the Indenture. For the purposes of this Section 3.7, any interest-bearing deposits, including certificates of deposit, issued by or on deposit with the Trustee shall be deemed to be investments and not deposits.

III.8. Plans and Specifications. The Company shall maintain a set of Plans and Specifications at the Project which shall be available to the Issuer and the Trustee for inspection and examination during the Company's regular business hours. The Issuer, the Trustee and the Company agree that the Company may supplement, amend and add to the Plans and Specifications, and that the Company shall be authorized to omit or make substitutions for components of the Project, without the approval of the Issuer and the Trustee, provided that no such change shall be made which, after giving effect to such change, would cause any of the representations and warranties set forth in Section 2.2 hereof to be false or misleading in any material respect, or would result in a violation of the covenant set forth in Section 8.5. If any such change would render materially incorrect or inaccurate the description of the initial components of the Project as set forth in Exhibit A to this Agreement, the Company shall deliver to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such change will not cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes, and thereafter, the Company and the Issuer shall amend such Exhibit A to reflect such change. No approvals of the Issuer and the Trustee shall be required for the Acquisition of the Project or for the solicitation, negotiation, award or execution of contracts relating thereto.

ARTICLE IVARTICLE IV

ISSUANCE OF THE BONDS

Section IV.1. Agreement to Issue the Bonds. To provide funds for the Acquisition of the Project, the Issuer agrees that it will sell, issue and deliver the Bonds in the aggregate principal amount of \$8,500,000 to the initial purchasers thereof and will cause the proceeds of the Bonds to be applied as provided in Section 4.5 of the Indenture.

IV.2. No Third-Party Beneficiary. It is specifically agreed between the parties executing this Agreement that it is not intended by any of the provisions of any part of this Agreement to establish in favor of the public or any member thereof, other than as expressly provided herein or as contemplated in the Indenture, the rights of a third-party beneficiary hereunder, or to authorize anyone not a party to this Agreement to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of this Agreement. The duties, obligations and responsibilities of the parties to this Agreement with respect to third parties shall remain as imposed by law.

ARTICLE VARTICLE V

LOAN; PAYMENT PROVISIONS

Section V.1. Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Company the proceeds received by the Issuer from the sale of the Bonds. The loan shall be made by depositing the accrued interest, if any, from the initial sale of the Bonds into the Bond Fund and the remainder of said proceeds in the Initial Fund in accordance with Section 4.5 of the Indenture. Such proceeds shall be disbursed to or on behalf of the Company as provided in Section-3.2. The Company's obligation to repay the loan shall be evidenced by a Promissory Note, the form of which is attached hereto as Exhibit C, dated the Issue Date.

V.2. Amounts Payable. The Company hereby agrees to pay the Note and repay the loan made pursuant to this Agreement by making the following payments:

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

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

(b) The Company will also pay the reasonable fees and expenses of the Issuer, the Trustee, the Tender Agent, the Paying Agent, the Placement Agent, the Remarketing Agent and the Registrar under the Indenture and all other amounts which may be payable to the Trustee, Paying Agent, Registrar or

the Tender Agent under Section 7.2 of the Indenture, and the reasonable fees and expenses of the Remarketing Agent, such fees and expenses to be paid when due and payable by the Company directly to the Trustee, Tender Agent, Paying Agent, Registrar and Remarketing Agent, respectively, for their own account.

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

(d) The Company covenants, for the benefit of the Holders, to pay or cause to be paid, to the Paying Agent, such amounts as shall be necessary to enable the Paying Agent to pay the Purchase Price of Bonds delivered to the Tender Agent or the Remarketing Agent, as the case may be, for purchase, all as more particularly described in Section 2.6 of the Indenture; provided, however, that the obligation of the Company to make any such payment under this Section 5.2(d) shall be reduced by the amount of moneys available for such payment described in Section 2.6(g)(i) and (ii) of the Indenture; and provided, further, that the obligation of the Company to make any payment under this Section 5.2(d) shall be deemed to be satisfied and discharged to the extent of the corresponding payment made by the Credit Issuer under the Credit Facility.

(e) In the event the Company shall fail to make any of the payments required in this Section 5.2, the item or installment so in default shall continue as an obligation of the Company until the amount in default shall have been fully paid.

V.3. Unconditional Obligations. The obligation of the Company to make the payments required by Section 5.2 shall be absolute and unconditional. The Company shall pay all such amounts without abatement, diminution or deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Company may have or assert against the Issuer, the Trustee or any other Person.

V.4. Prepayments. The Company may prepay all or any part of the amounts required to be paid by it under Section 5.2, at the times and in the amounts provided in Article XI for redemption of the Bonds, and in the case of mandatory redemptions of the Bonds, the Company shall cause to be furnished to the Issuer such amounts on or prior to the applicable redemption dates. Prepayment of amounts due hereunder pursuant to this Section 5.4 shall be deposited in the Bond Fund.

V.5. Credits Against Payments. To the extent that principal of, Purchase Price, premium, if any, or interest on the Bonds shall be paid with moneys available under the Credit Facility, from remarketing proceeds (with respect to Purchase Price) or other sources available under the Indenture, the obligation of the Company to make payments required by Section 5.2 shall be satisfied and discharged to the extent of the principal of, Purchase Price, premium, if any, or interest on the Bonds so paid. If the principal of and premium, if any, and interest on the Bonds shall have been paid sufficiently that payment of the Bonds shall have occurred in accordance with Article V of the Indenture, then the obligations of the Company pursuant to Section 5.2, ipso facto, shall be deemed to have been paid in full, and the Company's obligations under Section 5.2 and this Agreement shall be discharged.

V.6. Credit Facility and Alternate Credit Facility. The Company shall provide for the payment of amounts payable pursuant to Section 5.2(a) and (d) herein, by the delivery to the Trustee on the Issue Date of the Original Credit Facility. The Company shall be entitled to terminate the Credit Facility as provided therein and in the Indenture and shall be entitled to provide an Alternate Credit Facility under certain circumstances as provided in the Indenture.

V.7. Interest Rate Determination Method. The Company is hereby granted the right to designate from time to time changes in the Interest Rate Determination Method (as defined in the Indenture) in the manner and to the extent set forth in Section 2.4 of the Indenture.

ARTICLE VIARTICLE VI

MAINTENANCE AND TAXES

Section VI.1. Company's Obligations to Maintain and Repair. The Company agrees that during the term of this Agreement it will keep and maintain the Project in good condition, repair and working order, ordinary wear and tear excepted, at its own cost, and will make or cause to be made from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereto.

VI.2. Taxes and Other Charges. d Other Charges

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

(b) The Company shall furnish the Issuer and the Trustee, upon request, with proof of payment of any taxes, governmental charges, utility charges, insurance premiums or other charges required to be paid by the Company under this Agreement.

ARTICLE VIIARTICLE VII

INSURANCE, EMINENT DOMAIN AND DAMAGE AND DESTRUCTION

Section VII.1. Insurance. The Company will during the term of this Agreement and at all times while any Bonds are outstanding continuously insure the Project against such risks as are customarily insured against by businesses of like size and type, paying as the same become due all premiums in respect thereof. In addition the Company shall comply, or cause compliance, with applicable worker's compensation laws of the State. While a Credit Facility is in effect, the Company shall only be required to comply with the insurance requirements set forth in the Credit Agreement.

VII.2. Provisions Respecting Eminent Domain. In case of a taking or proposed taking of all or any part of the Project or any right therein by Eminent Domain, the party upon which notice of such taking is served shall give prompt written notice to the other and to the Trustee. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

VII.3. Damage and Destruction. If at any time while any of the Bonds are Outstanding, the Project, or any portion thereof, shall be damaged or destroyed by fire, flood, windstorm or other casualty, or title to, or the temporary use of, the Project, or any portion thereof, shall have been taken by the power of Eminent Domain, the Company (unless it shall have exercised its option to prepay all of the Bonds) shall cause the Net Proceeds from insurance or condemnation or an amount equal thereto to be used for the repair, reconstruction, restoration or improvement of the Project. In case of any damage to or destruction of all or any part of the Project exceeding \$50,000, the Company shall give prompt written notice thereof to the Issuer and the Trustee. Notwithstanding the above, so long as the Credit Facility is outstanding, the Company shall comply with the terms of the Credit Agreement related to the use of insurance or condemnation proceeds.

VIII

ARTICLE VIII

SPECIAL COVENANTS

Section VIII.1. Access to the Property and Inspection. The Issuer and the Trustee, and their respective agents and employees, shall have the right, at all reasonable times during normal business hours of the Company upon the furnishing of reasonable notice to the Company under the circumstances, to enter upon and examine and inspect the Project and to examine and copy the books and records of the Company insofar as such books and records relate to the Project or the Bond Documents.

VIII.2. Financial Statements. The Company shall, upon request, deliver to the Trustee and the Issuer as soon as practicable and in any event within 120 days after the end of each fiscal year of the Company, the financial reports of the Company for such fiscal year.

VIII.3. Further Assurances and Corrective Instruments.ctive Instruments

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

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

VIII.4. Recording and Filing; Other Instruments.Other Instruments

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

(b) The Company and the Issuer shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable in order to enable the Company to fulfill its obligations as provided in Section 8.4(a). The Company shall file and re-file and record and re-record or shall cause to be filed and re-filed and recorded and re-recorded all instruments required to be filed and re-filed and recorded or re-recorded and shall continue or cause to be continued the liens of such instruments for so long as any of the Bonds shall be Outstanding.

Section VIII.5. Exclusion from Gross Income for Federal Income
VIII.5.posesExclusion from Gross Income for Federal Income Tax Purposes of Interest on the Bonds. The Company covenants and agrees that it has not taken and will not take or cause to be taken, and has not omitted and will not omit or cause to be omitted, any action which will result in interest paid on the Bonds being included in gross income of the Holders of the Bonds

for the purposes of federal income taxation.

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

VIII.6. Indemnity Against Claims. The Company will pay and discharge and will indemnify and hold harmless the Issuer, the Commission and the Trustee, and their respective officers, employees and agents, from any taxes, assessments, impositions and other charges in respect of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Issuer, the Commission or the Trustee, as the case may be, will give prompt written notice to the Company; provided, however, that the failure to provide such notice will not relieve the Company of the Company's obligations and liability under this Section 8.6 and will not give rise to any claim against or liability of the Issuer, the Commission or the Trustee. The Company shall have the sole right and duty to assume, and shall assume, the defense thereof, with counsel selected by the Company and reasonably acceptable to the person on behalf of which the Company undertakes a defense, with full power to litigate, compromise or settle the same in its sole discretion.

VIII.7. Release and Indemnification. The Company shall at all times protect, indemnify and hold the Issuer, the Governing Body, the Commission and the Trustee, and their respective members, directors, officers, employees, attorneys and agents, harmless against any and all liability, losses, damages, costs, expenses, taxes, causes of action, suits, claims, demands and judgments of any nature arising from or in connection with the Project or the financing of the Project, including, without limitation, all claims or liability resulting from, arising out of or in connection with the acceptance or administration of the Bond Documents or the trusts thereunder or the performance of duties under the Bond Documents or any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof, including without limitation any lease thereof or assignment of its interest in this Agreement, such indemnification to include the reasonable costs and expenses of defending itself or investigating any claim of liability and other reasonable expenses and attorneys' fees incurred by the Issuer, the Governing Body, the Commission and the Trustee, and their respective members, directors, officers, employees, attorneys and agents, in connection therewith, provided that the benefits of this Section 8.7 shall not inure to any person other than the Issuer, the Governing Body, the Commission, the Trustee, their respective members, directors, officers, employees, attorneys and agents, and provided further that such loss, damage, death, injury, claims, demands or causes shall not have resulted from the gross negligence or willful misconduct of, the Issuer, the Governing Body, the Trustee or such members, directors, officers, employees, attorneys and agents. The obligations of the Company under this Section 8.7 shall survive the termination of this Agreement and the Indenture. Notwithstanding any other provision of this Agreement or the Indenture to the contrary, the Company agrees (i) not to assert any claim or institute any action or suit against the Trustee or its employees arising from or in connection with any investment of funds made by the Trustee in good faith as directed by a Company Representative, and (ii) to indemnify and hold the Trustee and its employees harmless against any liability, losses, damages, costs, expenses, causes of action, suits, claims, demands and judgments of any nature arising from or in connection with any such investment.

VIII.8. Compliance with Laws. The Company agrees to comply with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Project during the Company's operation of the Project.

VIII.9. Non-Arbitrage Covenant. Arbitrage Covenant

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

(b) In the event that all of the proceeds of the Bonds, including the investment proceeds thereof, are not expended by the date which is six (6) months following the Issue Date, or if for any other reason a rebate is payable to the United States pursuant to Section 148 of the Code, the Company shall calculate, or cause to be calculated, the Rebate Amount (as defined in the Indenture). The Company agrees to pay the amount so calculated, together with supporting documentation, to the Trustee so as to permit the Trustee to pay such rebate to the United States at the times required by the Code. The amount paid by the Company to the Trustee shall be deposited into the Rebate Fund. The Company shall maintain or cause to be maintained records of the determinations of the rebate, if any, pursuant to this Section 8.9(b) until six (6) years after the retirement of the Bonds. This Section 8.9(b) shall be construed in accordance with Section 148(f) of the Code, including, without limitation, any applicable tax regulations promulgated under the Code. Nothing contained in this Agreement or in the Indenture shall be interpreted or construed to require the Issuer to pay any applicable rebate, such obligation being the sole responsibility of the Company. The Company shall pay all fees, costs and expenses associated with calculation of the Rebate Amount (as defined in the Indenture) and, upon request from the Issuer, provide the Issuer with a copy of such calculation.

VIII.10. Notice of Determination of Taxability. Promptly after the Company first becomes aware of any Determination of Taxability or an event that could trigger a Determination of Taxability, the Company shall give written notice thereof to the Issuer, the Commission, the Remarketing Agent

and the Trustee.

VIII.11. No Purchase of Bonds by Company or Issuer. During the time a Credit Facility is in effect, neither the Company, the Issuer nor any affiliates of any of them shall purchase any of the Bonds from the Remarketing Agent except under the circumstances under which the Remarketing Agent may remarket Bonds to the Company or the Issuer as provided in Section 2.7(d) of the Indenture.

VIII.12. Maintenance of Corporate Existence. Corporate Existence

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

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

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

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

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

The term "consolidated tangible net worth," as used in this Section, shall mean the difference obtained by subtracting total consolidated liabilities (not including as a liability any capital or surplus item) from total consolidated tangible assets of the Company and all of its consolidated subsidiaries, computed in accordance with generally accepted accounting principles. Prior to any such consolidation, merger or transfer the Trustee shall be furnished a certificate from the chief financial officer of the Company or his/her deputy stating that in the opinion of such officer none of the covenants in this Agreement will be violated as a result of said consolidation, merger or transfer.

VIII.13. Company Approval of Indenture. The Company understands that the Issuer will, pursuant to the Indenture and as security for the payment of the principal of, premium, if any, and the interest on the Bonds, assign and pledge to the Trustee, and create a security interest in favor of the Trustee in certain of its rights, title and interest in and to this Agreement (including all payments hereunder) reserving, however, the Reserved Rights; and the Company hereby agrees and consents to such assignment and pledge. The Company acknowledges that it has received a copy of the Indenture for its examination and review. By its execution of this Agreement, the Company acknowledges that it has approved, has agreed to and is bound by the provisions of the Indenture. The Company agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement that relate to it notwithstanding the fact that it is not a signatory hereto.

VIII.14. Duties and Obligations. The Company covenants and agrees that it will fully and faithfully perform all the duties and obligations that the Issuer has covenanted and agreed in the Indenture to cause the Company to perform and any duties and obligations that the Company is required in the Indenture to perform. The foregoing shall not apply to any duty or undertaking of the Issuer that by its nature cannot be delegated or assigned.

VIII.15. Outstanding Bonds. The Company shall deliver to the Commission on or prior to July 15 of each year a certificate stating the principal amount of the Bonds outstanding as of June 30 of such year and, if requested by the Commission, a list of the Holders of the Bonds as of such date.

IX
ARTICLE IX
ASSIGNMENT, LEASE AND SALE

Section IX.1. Restrictions on Transfer of Issuer's Rights. The Issuer agrees that, except for the assignment of its rights under this Agreement to the Trustee pursuant to the Indenture, it will not during the term of this Agreement sell, assign, transfer or convey its interests in this Agreement except as provided in Section 9.2.

IX.2. Assignment by the Issuer. It is understood, agreed and acknowledged that the Issuer, as security for payment of the principal of and premium, if any, and interest on the Bonds, will assign to the Trustee pursuant to the Indenture, among other things, certain of its rights, title

and interests in and to this Agreement (reserving its rights, however, pursuant to sections of this Agreement providing that notices, reports and other statements be given to the Issuer and that consents be obtained from the Issuer and also reserving its rights to reimbursement and payment of costs and expenses under Sections 5.2(b) and (c), its right of access under Section 8.1, and its rights to indemnification and non-liability under Sections 8.6, 8.7, 12.6 and 12.7, all of this Agreement). The Company consents to such assignment and agrees that the Trustee shall be entitled to enforce this Agreement directly against the Company as a third party beneficiary hereof.

Section IX.3. Assignment, Lease or Sale of Project or
IX.3.nment oAssignment, Lease or Sale of Project or Assignment of Agreement
by Company.

(a) With the prior written consent of the Trustee, the Issuer and if a Credit Facility is then in effect, the issuer of such Credit Facility (i) the rights of the Company under this Agreement may be assigned by the Company and (ii) the Project may be leased or sold as a whole or in part by the Company; provided, however, that (1) no such assignment, lease or sale shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any assignment, lease or sale, the Company shall continue to remain primarily liable for payments to be made pursuant to the Note and hereunder and for the performance and observance of the other agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment, lease or sale had been made, (2) each lessee, purchaser or assignee of the Company's interest in this Agreement shall assume the obligations of the Company hereunder to the extent of the interest assigned, leased or sold, and the Company shall, not more than 60 nor less than 30 days prior to the effective date of any such assignment, lease or sale, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment, lease or purchase contract and assumption of obligations and (3) prior to any lease or sale, the Company shall have caused to be delivered to the Issuer and the Trustee an opinion of Bond Counsel to the effect that such leasing or sale will not cause interest on the Bonds to be includable in the gross income of the Holders thereof for purposes of federal income taxation.

(b) Notwithstanding the provisions of Section 9.3(a) above, the Company may sell or lease the Project and assign its interest in this Agreement in full, and may be released from all liability under this Agreement, so long as the Trustee receives (i) consent of the Issuer, 100% of the Holders of the Bonds, and, if a Credit Facility is in effect, the issuer of such Credit Facility to such transfer or assignment, and (ii) an Opinion of Bond Counsel that such sale, lease, assignment or release, as applicable, will not have an adverse effect on the excludability of interest on the Bonds from gross income for federal income tax purposes.

(c) Notwithstanding the foregoing but subject at all times to the covenants and agreements contained in Section 8.5 hereof, if the Company with the consent of the Credit Issuer determines that any fixtures, apparatus, or other movable property constituting a part of the Project have become inadequate, obsolete, worn out, unsuitable, undesirable, inappropriate or unnecessary for its purposes at any time, the Company may remove such items from the Project and sell, trade in, or otherwise dispose of them (as a whole or in part).

ARTICLE XARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section X.1. Events of Default Defined. The term "Event of Default" shall mean any one or more of the following events:

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

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

(c) Any representation by or on behalf of the Company contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or the Indenture proves false or misleading in any material respect as of the date of the making or furnishing thereof;

(d) Failure by the Company to observe or perform any of its other covenants, conditions, payments or agreements under this Agreement for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Company by the Issuer or the Trustee; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken or conditions to be remedied that by their nature cannot reasonably be done, taken or remedied within such 30 day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Company shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion;

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

involuntary case under said Federal Bankruptcy Code, or (vii) take any corporate action for the purpose of effecting any of the foregoing;

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

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

(h) If a Credit Facility is in effect, the Trustee shall have received a written notice from the Credit Issuer that amounts which may be drawn upon under the Credit Facility with respect to interest (other than interest corresponding to the principal amount of Bonds which have been redeemed) will not be reinstated following any drawing for such interest.

X.2. Remedies on Default. Upon the occurrence of an Event of Default under this Agreement, the Trustee, as assignee of the Issuer, but only if acceleration of the principal amount of the Bonds has been declared pursuant to Section 6.2 of the Indenture, shall take any one or more of the following remedial steps:

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

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

In the enforcement of the remedies provided in this Section 10.2, the Issuer and the Trustee may treat all reasonable expenses of enforcement, including, without limitation, legal, accounting and advertising fees and expenses, as additional amounts payable by the Company then due and owing.

Section X.3. Application of Amounts Realized in Enforcement of Remedies. Any amounts collected pursuant to action taken under Section 10.2 shall be paid to the Trustee and applied in accordance with Section 6.7 of the Indenture.

X.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon an Event of Default under this Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

X.5. Agreement to Pay Attorneys' Fees and Expenses. Upon the occurrence of an Event of Default under this Agreement, if the Issuer or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable hereunder or for the enforcement of the performance or observance of any covenants or agreements on the part of the Company herein contained, whether or not suit is commenced, the Company agrees that it will on demand therefor pay to the Issuer or the Trustee or any combination thereof, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

X.6. Issuer and Company to Give Notice of Default. The Issuer and the Company severally covenant that they will, at the expense of the Company, promptly give to the Trustee, the Commission, the Tender Agent, the Remarketing Agent, the Paying Agent and the Credit Issuer, and to each other, written notice of any Event of Default under this Agreement of which they shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

ARTICLE XI

PREPAYMENTS; PURCHASE OF BONDS

Section XI.1. Optional Prepayments.

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

(b) The Company shall have, and is hereby granted, the option

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

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

Section XI.2. Mandatory Prepayment Upon a Determination of Taxability or Cessation of Operation.

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

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

(b) In the event of a Cessation of Operation, the Company shall prepay, within 45 days after the Cessation of Operation, the entire unpaid principal balance of the Note, plus accrued interest thereon to the date of such payment and all other amounts due under any of the Bond Documents.

"Cessation of Operation" means that the Company (or a permitted successor or assignee under Section 9.3) has ceased, in the opinion of the Issuer or the Trustee, to operate the Project as an "industrial project for industry" within the meaning of the Act. A Cessation of Operation shall not be deemed to have occurred until 60 days shall have elapsed after written notice has been given to the Company by the Issuer or the Trustee that operation of the Project shall have ceased and the Company shall not have demonstrated to the satisfaction of the Issuer and the Trustee that the Company (or a permitted successor or assignee under Section 9.3) is operating the Project as an "industrial project for industry" within the meaning of the Act or is in good faith seeking to arrange resumption of an economically reasonable operation of the Project as an "industrial project for industry" within the meaning of the Act.

XI.3. Optional Purchase of Bonds. Subject to the terms of the Indenture regarding the use of Eligible Funds, the Company may at any time, and from time to time, furnish moneys to the Tender Agent accompanied by a notice directing such moneys to be applied to the purchase of Bonds delivered for purchase pursuant to the terms thereof, which Bonds shall be delivered to the Trustee for cancellation in accordance with Section 2.8 of the Indenture. The Company shall deliver to the Remarketing Agent and the Credit Issuer a copy of any such notice.

XI.4. Relative Priorities. The obligations of the Company under Section 11.2 shall be and remain superior to the rights, obligations and options of the Company under Section 11.1.

XI.5. Prepayment to Include Fees and Expenses. Any prepayment under this Article shall also include any expenses of prepayment, as well as all expenses and costs provided for herein.

XI.6. Purchase of Bonds.

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

Without limiting the generality of the foregoing covenant of the Company, and in consideration of the Issuer's having set forth in the Bonds and the Indenture the aforesaid provisions, the Company covenants, for the

benefit of the Holders, to provide for arrangements to pay, or cause to be paid, such amounts as shall be necessary to effect the payment of the Purchase Price of Bonds delivered for purchase, all as more particularly described in the Indenture.

(b) Notwithstanding the provisions of Section 11.6(a), the obligations of the Company under Section 11.6(a) with respect to the purchase of Bonds shall be terminated on the date the Bonds begin to bear interest at the Fixed Rate in accordance with the Indenture.

(c) In furtherance of the obligations of the Company under Section 11.6(a), the Company shall provide for the payment of its obligations under such Section 11.6(a) by the delivery of the Original Credit Facility simultaneously with the original delivery of the Bonds. In order to implement such undertaking of the Company, the Issuer, at the direction of the Company, has set forth in the Indenture the terms and conditions relating to drawings under the Credit Facility to provide moneys for the purchase of Bonds. The Company hereby authorizes and directs the Trustee to draw moneys under the Credit Facility in accordance with the provisions of the Indenture to the extent necessary to provide moneys payable under Section 2.7 of the Indenture if and when due.

(d) The Issuer shall have no obligation or responsibility, financial or otherwise, with respect to the purchase of Bonds or the making or continuation of arrangements therefor other than as expressly set forth in Section 11.6(a), except that the Issuer shall generally cooperate with the Company, the Tender Agent and the Remarketing Agent as contemplated in Section 2.7 of the Indenture.

ARTICLE XIIARTICLE XII

MISCELLANEOUS

Section XII.1. Amounts Remaining in Funds. Subject to the provisions of Article V of the Indenture and as provided in Article IV of the Indenture, it is agreed by the parties hereto that amounts remaining in the Bond Fund, Initial Fund or Bond Purchase Fund upon expiration or earlier termination of this Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all other amounts owing under the Indenture, shall be paid to the Credit Issuer (if a Credit Facility is in effect and there is any amount then owing by the Company to the Credit Issuer) and otherwise shall belong to and be paid to the Company by the Trustee.

XII.2. No Implied Waiver. In the event any provision of this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder or hereunder.

XII.3. Issuer Representative. Whenever under the provisions of this Agreement the approval of the Issuer is required or the Issuer is required to take some action at the request of the Company, such approval shall be made or such action shall be taken by the Issuer Representative; and the Company and the Trustee shall be authorized to rely on any such approval or action.

XII.4. Company Representative. Whenever under the provisions of this Agreement the approval of the Company is required or the Company is required to take some action at the request of the Issuer, such approval shall be made or such action shall be taken by the Company Representative; and the Issuer, the Tender Agent, the Remarketing Agent, the Paying Agent and the Trustee shall be authorized to rely on any such approval or action.

XII.5. Notices. Notice under this Agreement shall be given in accordance with Section 9.4 of the Indenture.

Section XII.6. Issuer, Commission, Governing Body, Members, Commissioners, Directors, Officers, Agents, Attorneys and Employees of XII.6., CommIssuer, Commission, Governing Body, Members, Commissioners, Directors, Officers, Agents, Attorneys and Employees of Issuer, Commission and Governing Body Not Liable. To the extent permitted by law, no recourse shall be had for the enforcement of any obligation, promise or agreement of the Issuer contained herein or in the other Bond Documents to which the Issuer is a party or for any claim based hereon or thereon or otherwise in respect hereof or thereof against the Issuer, the Commission, the Governing Body, any member, commissioner, director, officer, agent, attorney or employee, as such, in his/her individual capacity, past, present or future, of the Issuer, the Commission, the Governing Body, or of any successor entity, either directly or through the Issuer, the Commission, the Governing Body or any successor entity, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise. No personal liability whatsoever shall attach to, or be incurred by, any member, commissioner, director, officer, agent, attorney or employee, as such, in his/her individual capacity, past, present or future, of the Issuer, the Commission, the Governing Body, or of any successor entity, either directly or through the Issuer, the Commission, the Governing Body or any successor entity, under or by reason of any of the obligations, promises or agreements entered into between the Issuer and the Company, whether herein contained or to be implied herefrom as being supplemental hereto; and all personal liability of that character against every such member, commissioner, director, officer, agent, attorney or employee is, by the execution of this Agreement and as a condition of, and as part of the consideration for, the execution of this Agreement, expressly waived and released.

Notwithstanding any other provision of this Agreement, the Issuer shall not be liable to the Company or the Trustee or any other person for any failure of the Issuer to take action under this Agreement unless the Issuer (a) is requested in writing by an appropriate person to take such action, (b)

is assured of payment of, or reimbursement for, any reasonable expenses in such action, and (c) is afforded, under the existing circumstances, a reasonable period to take such action. In acting under this Agreement, or in refraining from acting under this Agreement, the Issuer may conclusively rely on the advice of its counsel.

Section XII.7. No Liability of Issuer; No Charge Against XII.7.'s CreNo Liability of Issuer; No Charge Against Issuer's Credit. Any obligation of the Issuer created by, arising out of, or entered into in contemplation of this Agreement, including the Bonds, shall not impose a debt or pecuniary liability upon the Issuer, the State or any political subdivision thereof or constitute a charge upon the general credit or taxing powers of any of the foregoing. Any such obligation shall be payable solely out of the revenues and any other moneys derived hereunder and under the Indenture and the Credit Facility, except (as provided in the Indenture and in this Agreement) to the extent it shall be paid out of moneys attributable to the proceeds of the Bonds or the income from the temporary investment thereof.

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

XII.8. If Performance Date Not a Business Day. If the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day.

XII.9. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Company, and their respective successors and assigns. No assignment of this Agreement by the Company shall relieve the Company of its obligations hereunder.

XII.10. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

XII.11. Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds and prior to payment of the Bonds, this Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with the Indenture.

XII.12. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which, taken together, shall be an original and all of which shall constitute but one and the same instrument.

XII.13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

[The remainder of this page is left blank intentionally]

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

THE ROBESON COUNTY INDUSTRIAL
FACILITIES AND POLLUTION CONTROL
FINANCING AUTHORITY

By: _____
Name: W. Earl Antone
Title: Chairman

[SEAL]

ATTEST:

Secretary

CULP, INC.

By: _____
Name: _____
Title: _____

[SEAL]

ATTEST:

Secretary

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project consists of the acquisition of an approximately 17 acre site, the acquisition and renovation of an approximately 107,000 square foot existing building thereon, and the acquisition and installation of certain equipment therein all for use as a manufacturing facility for the wet printing of flock fabric in Robeson County, North Carolina.

EXHIBIT B

\$ _____

No. _____

REQUISITION AND CERTIFICATE

_____, 19__

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

Ladies and Gentlemen:

On behalf of CULP, INC. (the "Company"), I hereby requisition from the funds representing the proceeds of the sale of the Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp. Inc. Project) Series 1997, issued by The Robeson County Industrial Facilities and Pollution Control Financing Authority (the "Issuer"), and dated July 1, 1997 (the "Bonds"), which funds are held by you in The Robeson County Industrial Facilities and Pollution Control Financing Authority (Culp, Inc. Project) Initial Fund in accordance with the Indenture of Trust, dated as of July 1, 1997 (the "Indenture"), from the Issuer to you the sum of \$_____ to be paid to the person or persons indicated below:

- (1) \$_____ for _____

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

payable to _____.

I hereby certify that (a) the obligation to make such payment was incurred by the Issuer or the Company in connection with the Acquisition (as defined in the Loan Agreement, of even date with the Indenture, between the Issuer and the Company, hereinafter referred to as the "Agreement") of the Project (referred to in the Agreement), is a proper charge against the Costs of the Project (as defined in the Agreement), and has not been the basis for any prior requisition which has been paid; (b) neither the Company nor, to the best of the Company's knowledge, the Issuer has received written notice of any lien, right to lien or attachment upon, or claim affecting the right of such payee to receive payment of, any of the money payable under this requisition to any of the persons, firms or corporations named herein, or if any notice of any such lien, attachment or claim has been received such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of this requisition; (c) this requisition contains no items representing payment on account of any retained percentages which the Issuer or the Company is entitled to retain at this date; (d) the payment of this requisition will not result in less than substantially all (95% or more) of the proceeds of the Bonds to be expended under this requisition and under all prior requisitions having been used for the acquisition and installation of real property or property of a character subject to the allowance for depreciation under the Internal Revenue Code of 1986, as amended; and (e) no "Event of Default" (as defined in the Agreement), or event which after notice or lapse of time or both would constitute such an "Event of Default" has occurred and not been waived.

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

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

Company Representative

EXHIBIT C

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

\$8,500,000

July ____, 1997

PROMISSORY NOTE

FOR VALUE RECEIVED, Culp, Inc. a corporation duly formed and existing under the laws of the State of North Carolina (the "Company"), by this promissory note hereby promises to pay to the order of The Robeson County Industrial Facilities and Pollution Control Financing Authority (the "Issuer") the principal sum of Eight Million Five Hundred Thousand Dollars (\$8,500,000), together with interest on the unpaid principal amount hereof, from the Issue Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Bonds (as hereinafter defined), premium, if any, on the Bonds and Purchase Price (as defined in the Indenture). All such payments of principal, interest, premium and Purchase Price shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal corporate trust office of First-Citizens Bank & Trust Company, Raleigh, North Carolina, or its successor as trustee under the Indenture.

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

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

This promissory note is the "Note" referred to in the Loan Agreement, dated as of July 1, 1997 (the "Agreement") between the Company and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to First-Citizens Bank & Trust Company under the Indenture of Trust, dated as of July 1, 1997 (the "Indenture"), by and between the Issuer and First-Citizens Bank & Trust Company, as Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of \$8,500,000 in aggregate principal amount of Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1997 (the "Bonds"), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture and the Bonds are hereby incorporated as a part of this Note.

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

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

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

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

CULP, INC.

[SEAL]

By: _____
Name: _____
Title: _____

ATTEST:

Secretary

ENDORSEMENT

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

THE ROBESON COUNTY INDUSTRIAL FACILITIES AND
POLLUTION CONTROL FINANCING AUTHORITY

By: _____
Name: _____
Title: _____

Dated: _____, 1997

EXHIBIT D

REPRESENTATIONS AND WARRANTIES RELATING TO TAX MATTERS
WITH RESPECT TO THE BONDS AND THE PROJECT

1. Not less than 95% of the net proceeds of the Bonds (consisting of the face amount of the Bonds less any original issue discount plus any original issue premium, but including issuance costs) shall be used to provide facilities to be used in the manufacturing or production of tangible personal property, including facilities that are directly related and ancillary to such manufacturing facilities and located on the same site as the manufacturing facilities; provided, however, that not more than twenty-five percent (25%) of the net proceeds shall be used to provide such ancillary facilities.

2. The aggregate amount of capital expenditures (as defined by Section 1.103-10(b)(2) of the Tax Regulations to include any expenditure which was or could have been treated as a capital expenditure under any rule or election under the Code) with respect to facilities located in the same incorporated municipality as the Project, or which are contiguous or integrated facilities, the principal user of which was or is the Company or any Related Person, paid or incurred during the period beginning three years before the date of issuance of the Bonds, and financed otherwise than out of the Bond proceeds (not including investment earnings thereon) and otherwise than out of the proceeds of other outstanding issues to which Section 144(a)(2) of the Code applies, is \$_____.

3. The aggregate face amount of all prior issues outstanding as of the date of issuance of the Bonds (whether or not the issuer of each issue is the same) to which Section 144(a) of the Code or Section 103(b)(6) of the Internal Revenue Code of 1954, as amended applies, the proceeds of which were or will be used to any extent with respect to facilities located in the same incorporated municipality as the incorporated municipality in which the Project is located and the principal user of which is the Company or a Related Person, is \$_____. The Issuer hereby elects to have the provisions of Section 144(a) of the Code apply to the Bonds. The Company and, at the direction of the Company, the Issuer, shall file any reports or statements and take any other action as may be required from time to time with respect to the qualification of the Bonds as an exempt small issue within the meaning of Section 144(a) of the Code.

4. (a) During the period commencing 15 days before the date of issuance of the Bonds, neither the Company nor any Related Person (or group of Related Persons which includes the Company) has guaranteed, arranged, participated in, assisted with, borrowed the proceeds of, or leased facilities financed by, obligations issued under Section 144(a) of the Code by any state or local governmental unit or any constituted authority empowered to issue obligations by or on behalf of any state or local governmental unit other than the Issuer. Except for the Company or any "related person" (or group of "related persons"), no Person has (1)-guaranteed, arranged, participated in, assisted with or paid any portion of the cost of the issuance of the Bonds, or (2)-provided any property or any franchise, trademark or trade name (within the meaning of Section 1253 of the Code) which is to be used in connection with the Project.

(b) During the period commencing on the date of issuance of the Bonds and ending 15 days thereafter, there will be no obligations issued under Section 144(a) of the Code which are guaranteed by the Company or any Related Person (or group of Related Persons which includes the Company) or which are issued with the assistance or participation of, or by arrangement with, the Company or any Related Person (or group of Related Persons which includes the Company) without the written opinion of Robinson, Bradshaw & Hinson, P.A. to the effect that the issuance of such obligations will not adversely affect their opinion as to the exemption from present federal income tax of interest on the Bonds.

(c) The Bonds are not being issued as part of an issue the interest of which is exempt from federal income taxation under any other provision of law other than Section 144(a) of the Code.

5. No portion of the Bond proceeds is being used to provide a facility, a purpose of which is retail food and beverage services, automobile sales or service, or the provision of recreation or entertainment. No portion of the Bond proceeds is being used to provide any private or commercial golf course, country club, health club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility, racetrack, skybox or other luxury box, airplane, store the principal business of which is the sale of alcoholic beverages for consumption off premises, or facility used primarily for gambling. No portion of the Bond proceeds is being used directly or indirectly to provide residential real property for family units.

6. (a) As of the date of issuance of the Bonds, the sum of (i) the aggregate authorized face amount of the Bonds allocated in accordance with Section 144(a)(10)(C) of the Code to the Company or any Related Person to the Company plus (ii) the aggregate authorized face amount of any outstanding tax-exempt facility-related bonds (as defined in Section 144(a)(10)(B) of the Code) of the Company, or any Related Person to the Company, does not exceed \$40 million.

(b) As of the date of issuance of the Bonds, the sum of (i) the aggregate authorized face amount of the Bonds allocated in accordance with Section 144(a)(10)(C) of the Code to any known test-period beneficiary, as

defined in Section 144(a)(10)(D) of the Code, or any Related Person to such test-period beneficiary (other than the Company or any Related Person to the Company) plus (ii) the aggregate authorized face amount of any outstanding tax-exempt facility-related bonds (as defined in Section 144(a)(10)(B) of the Code) of such known test-period beneficiary, or any Related Person thereto (other than the Company or any Related Person to the Company), does not exceed \$40 million.

7. There are no other bonds to which Section 144(a) of the Code applies which, together with the Bonds, are to be used with respect to (a) a single building, (b) an enclosed shopping mall, or (c) a strip of offices, stores or warehouses, using substantial common facilities with the Project or a portion thereof.

8. Bond proceeds that will be used to pay the cost of acquisition of any real or personal property other than land (or any interest therein) is or will be used only with respect to either (a) real or personal property the first use of which is pursuant to such acquisition with the Bond proceeds or (b) a building (and/or related equipment therefor) if the rehabilitation expenditures (as defined in Section 147(d)(3) of the Code) with respect to such building equal or exceed fifteen percent (15%) of the portion of the cost of acquiring such building (and the equipment thereof) to be financed with the Bond proceeds; or (c) a structure other than a building (and equipment therefor) if rehabilitation expenditures (as defined in Section 147(d)(3) of the Code) with respect to such property equal or exceed one hundred percent of the portion of the cost of acquiring such property to be financed with the Bond proceeds.

9. (a) No portion of the Bond proceeds will be used directly or indirectly for the acquisition of land or any interest therein to be used for the purpose of farming.

(b) Less than 25% of the Bond proceeds are or will be used directly or indirectly for the acquisition of land to be used for purposes other than farming.

10. The Bonds will not be federally guaranteed within the meaning of Section 149(b) of the Code. For purposes of this representation, no principal user of the financed property has entered into any leases of the financed property to, or sales or service contracts with, any federal government agency.

11. The costs of the issuance of the Bonds including, but not limited to, underwriter's spread, counsel fees, financial advisor fees, rating agency fees, trustee fees incurred in connection with the borrowing, paying agent and certifying and authenticating agent fees related to the issuance of the Bonds, accountant fees, printing costs and costs incurred in obtaining public approval of the Bonds, paid from the proceeds of the Bonds or investment earnings thereon, will not exceed 2% of the aggregate face amount of the Bonds.

12. The Company hereby represents that the information contained in the certificates or letters of representation of the Company with respect to the compliance with the requirements of Section 103 of the Code, including the information in Form 8038 (excluding the issue number and the employer identification number of the Issuer), filed by the Company on behalf of the Issuer with respect to the Bonds, and the Project is true and correct in all material respects.

-;;(..continued)

REIMBURSEMENT AND SECURITY AGREEMENT

between

CULP, INC.,

and

WACHOVIA BANK, NATIONAL ASSOCIATION

Dated as of July 1, 1997

Relating To \$8,500,000 Principal Amount
The Robeson County Industrial Facilities and Pollution Control
Financing Authority Tax-Exempt Adjustable Mode
Industrial Development Revenue Bonds
(Culp, Inc. Project) Series 1997

REIMBURSEMENT AND SECURITY AGREEMENT

THIS REIMBURSEMENT AND SECURITY AGREEMENT, dated as of July 1, 1997, is made and entered into by and between CULP, INC., a North Carolina corporation (the "Company"), and WACHOVIA BANK OF NORTH CAROLINA, NATIONAL ASSOCIATION, a national banking association with its principal office in Winston-Salem, North Carolina (the "Bank").

W I T N E S S E T H:

WHEREAS, The Robeson County Industrial Facilities and Pollution Control Financing Authority (the "Issuer"), intends to issue its Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1997 in the aggregate principal amount of \$8,000,000 (the "Bonds") pursuant to an Indenture of Trust dated as of even date herewith (as the same may be supplemented pursuant to its terms, the "Indenture"), between the Issuer and First-Citizens Bank & Trust Company, as trustee (together with any successors in trust, the "Trustee"); and

WHEREAS, pursuant to a Loan Agreement dated as of even date herewith (as the same may be amended pursuant to its terms and the terms of the Indenture, the "Loan Agreement") between the Issuer and the Company, the Issuer will loan the proceeds of the Bonds to the Company (i) to finance the acquisition, construction and equipping of certain facilities more fully described in the Loan Agreement (the "Project"), and (ii) to pay certain costs of issuing the Bonds; and

WHEREAS, to provide additional security for the payment of the Bonds, the Company has requested that the Bank issue an irrevocable, direct-pay letter of credit substantially in the form of Exhibit A attached hereto and by this reference made a part hereof (as the same may be amended from time to time, the "Letter of Credit"); and

WHEREAS, the Company has also entered into a credit agreement dated as of April 23, 1997 (the "Credit Agreement"), among the Company, the Banks listed therein, and Wachovia Bank of Georgia, N.A., as Agent ("Agent"); and

WHEREAS, as a condition to issuing the Letter of Credit, the Company and the Bank have agreed to enter into this Reimbursement Agreement to set forth the Company's obligations to reimburse the Bank for any draws on the Letter of Credit;

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I. DEFINITIONS.

Section I.1. Defined Terms. Unless otherwise specifically defined herein, capitalized terms used but not defined herein shall have the meanings assigned to them in the Credit Agreement. In the event the Credit Agreement is no longer in effect, such terms and any other references to the terms of the Credit Agreement shall have the meanings and substance assigned to them in the Credit Agreement immediately prior to its termination. Furthermore, in addition to the words and terms defined above, the following terms when used herein shall have the following respective meanings:

"Bankruptcy Code" means Title 11 of the United States Code, as amended, and any successor statute or statutes having substantially the same function.

"Business Day" means any day on which the offices of the Bank at which drawings on the Letter of Credit are made, the Trustee, the Paying Agent, the Tender Agent, the Registrar (as each such term is defined in the Indenture) and the Remarketing Agent are each open for business and on which The New York Stock Exchange is not closed.

"Closing Date" means July 10, 1997.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor federal tax code. Any reference to any provision of the Code shall also include the income tax regulations promulgated thereunder, whether final, temporary or proposed.

"Date of Issuance" means the date on which the Bonds are initially issued.

"Default" means any event that, with the passage of time or giving of notice, or both, would constitute an Event of Default.

"Default Rate" means on any day, the sum of 2% plus the then highest interest rate (including the Applicable Margin) which may be applicable to any Loans under the Credit Agreement (irrespective of whether any such type of Loans are actually outstanding thereunder).

"Environmental Law" means any federal, state or local law, statute, ordinance, rule, regulation, permit, license, approval, interpretation, order, guidance or other legal requirement (including without limitation any subsequent enactment, amendment or modification) relating to the protection of human health or the environment, including, but not limited to, any requirement pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of materials that are or may constitute a threat to human health or the environment.

"Event of Default" means any of the events specified in Section 8.1 hereof.

"Expiration Date" means the Initial Expiration Date or, if the stated term of the Letter of Credit is extended as contemplated in Section 2.2(b) hereof, the last day of each Successive Extension Period.

"Fee Percentage" means (i) on the Closing Date, .40% per annum, and (ii) on each Payment Date thereafter, the percentage determined on such Payment Date by reference to the table set forth below and the Debt/EBITDA Ratio for the quarterly or annual period ending immediately prior to such Payment Date:

Debt/EBITDA Ratio	Fee Percentage
Less than 1.5 to 1.0	.35%
Equal to or greater than 1.5 to 1 but Less than 2.3 to 1	.40%
Equal to or greater than 2.3 to 1 but Less than 2.5 to 1	.50%
Greater than 2.5 to 1	.65%

"Financial Statements" means the annual audited consolidated financial statements of the Company and its Subsidiaries at April 30 and for the year then ended.

"Generally Accepted Accounting Principles" means generally accepted accounting principles, applied on a consistent basis for the Company and its Subsidiaries on a consolidated basis throughout the period indicated, as further described in Section-1.02 of the Credit Agreement.

"Governmental Authority" means any nation or government, any state, department, agency or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

"Hazardous Material" means any 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, pollutant, contaminant or toxic substance under any Environmental Law; (ii) it is toxic, explosive, corrosive, ignitable, infectious, radioactive, mutagenic or otherwise hazardous, (iii) its presence requires investigation or remediation under an Environmental Law or common law; (iv) it constitutes a danger, nuisance,

trespass or health or safety hazard to persons or property; and/or (v)-it is or contains, without limiting the foregoing, petroleum hydrocarbons.

"Initial Expiration Date" means March 1, 2001.

"Letter of Credit Amount" means, at any time, the aggregate of the Letter of Credit - Principal Component and the Letter of Credit - Interest Component, subject to reduction or reinstatement as provided in the Letter of Credit.

"Letter of Credit - Interest Component" has the meaning ascribed thereto in Section 2.1 hereof.

"Letter of Credit - Principal Component" has the meaning ascribed thereto in Section 2.1 hereof.

"Material Adverse Change" means a material adverse change in, any of (i)-the financial condition, operations, business, properties or prospects of the Company and its Subsidiaries, taken as a whole; (ii)-the ability of the Company or any Subsidiary to perform under this Agreement or any Related Document in any material respect or any other material contract to which any one or more of them is a party in any material respect; (iii)-the legality, validity or enforceability of this Agreement or any Related Document; or (iv)-the perfection or priority of the liens of the Bank granted under this Agreement or any Related Document or the rights and remedies of the Bank under this Agreement or any Related Document (other than a change resulting from any act or omission by the Bank).

"Moody's" means Moody's Investors Service and any successor thereto which is a nationally recognized rating agency.

"Notice of Adjustment" has the meaning ascribed thereto in Section 2.4(b) hereof.

"Notice of Non-Extension" means a written notice delivered by the Bank to the Trustee, the Company and the Rating Agency to the effect that the Letter of Credit will not be extended for a Successive Extension Period.

"Offering Memorandum" means collectively the Preliminary Offering Memorandum and the Offering Memorandum with respect to the initial offering and sale of the Bonds, together with the Supplement to Offering Memorandum to be distributed in connection with the remarketing of the Bonds following the Closing Date.

"Payment Date" means each July 10, commencing July 10, 1998.

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

"Placement Agent" means Wachovia Bank of North Carolina, National Association, in its capacity as placement agent under the Placement Agreement.

"Placement Agreement" means the Placement Agreement as defined in the Indenture.

"Pledged Bond Collateral" has the meaning set forth in Section 9.1 hereof.

"Pledged Bonds" means those Bonds which have been purchased from monies drawn under the Letter of Credit and not remarketed by the Remarketing Agent pursuant to of the Indenture.

"Purchase Price" means an amount equal to 100% of the principal amount of any Bond tendered or deemed tendered for purchase pursuant to the Indenture plus accrued and unpaid interest thereon to the date of purchase.

"Rating Agency" means Moody's, Standard & Poor's and any other national rating service acceptable to the Trustee, the Remarketing Agent, the Bank and the Company that has a rating of the Bonds in effect at that time.

"Reimbursement Agreement" means this Reimbursement and Security Agreement, as the same may be amended, modified, supplemented or restated from time to time.

"Reimbursement Obligations" means any one or more of the obligations of the Company to the Bank under this Reimbursement Agreement, including but not limited to the obligations specified in Section 2.5 of this Reimbursement Agreement.

"Related Documents" means the Bonds, the Indenture, the Loan Agreement, the Placement Agreement, the Remarketing Agreement and any other instrument, document, agreement or certificate relating thereto or otherwise executed and delivered in connection with the issuance of the Bonds or the Letter of Credit.

"Remarketing Agent" means Wachovia Bank of North Carolina, National Association, and its successors appointed and serving in such capacity under the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, and any successor thereto which is a nationally recognized rating agency.

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

"Successive Extension Period" has the meaning ascribed thereto in

Section 2.2(b) hereof.

"Tender Advance" means a loan by the Bank to the Company made pursuant to Section 2.6 hereof, the proceeds of which are used to reimburse the Bank for the amount of a corresponding Tender Drawing.

"Tender Advance Interest Rate" means the interest rate applicable to a Euro-Dollar Loan under the Credit Agreement as of the date of such Tender Advance.

"Tender Agent" has the meaning ascribed thereto in Article-I of the Indenture.

"Tender Drawing" means a drawing under the Letter of Credit to pay the portion of the Purchase Price of the Bonds allocable to principal.

"Termination Date" means the earliest of (i) the close of business on the Expiration Date, (ii) the date on which the principal amount of and interest on the Bonds shall have been paid in full, (iii) the close of business on the second Business Day following conversion of the interest rate on the Bonds to a Fixed Rate (as defined in the Indenture), (iv) the date on which the Bank honors the draft drawn on the Letter of Credit pursuant to the Indenture following the occurrence of an Event of Default (as defined in the Indenture) and an acceleration, (v) the date the Letter of Credit is surrendered to the Bank for cancellation, or (vi) the date the Bank honors the final drawing available under the Letter of Credit.

Section I.2. Accounting Terms. Any accounting terms used in this Reimbursement Agreement that are not specifically defined shall be interpreted as set forth in Section-1.02 of the Credit Agreement.

Section I.3. Singular/Plural. Unless the context otherwise requires, words in the singular include the plural and words in the plural include the singular.

ARTICLE II. THE LETTER OF CREDIT.

Section II.1. Agreement to Issue Letter of Credit. Subject to the terms and conditions hereinafter set forth, the Bank hereby agrees to issue the Letter of Credit on the Date of Issuance. The Letter of Credit shall be issued in an amount equal to the sum of (i) the aggregate principal amount of the Bonds (the "Letter of Credit - Principal Component"), plus (ii) an amount equal to 120 days' interest on the Bonds, computed as though the Bonds bore interest at the rate of 15% per annum, notwithstanding the actual rate borne by the Bonds from time to time, based on a 360-day year for the actual number of days elapsed (the "Letter of Credit - Interest Component").

Section II.2. Term of the Letter of Credit; Extensions of the Stated Term; Cancellation or Replacement of the Letter of Credit.

(a) The term of the Letter of Credit shall end on the Termination Date.

(b) The initial term of the Letter of Credit is stated to expire, subject to earlier termination, on the Initial Expiration Date. The Initial Expiration Date will be automatically extended, subject to earlier termination, for successive additional periods of one calendar month each ("Successive Extension Periods") until the fifth day of the thirteenth calendar month following the calendar month during which the Company, the Trustee, and the Rating Agency receive a Notice of Non-Extension from the Bank. The Bank's decision to deliver a Notice of Non-Extension shall be made in its sole discretion and no course of dealing or other circumstance shall be deemed to require the Bank to refrain from delivering a Notice of Non-Extension. The Company shall provide prior written notice to the Trustee of any amendment or modification of this Section 2.2(b).

(c) The Letter of Credit may be canceled or replaced at any time without penalty or premium at the request of the Company upon satisfaction of all conditions specified in subsections (i), (ii) and (iii) hereof:

(i) the Company shall have given not less than thirty (30) days prior written notice to the Bank that the Company desires to cancel or replace the Letter of Credit;

(ii) the Letter of Credit shall have been returned to the Bank for cancellation; and

(iii) all Reimbursement Obligations (including all Letter of Credit fees) shall have been paid in full.

Upon the cancellation or replacement of the Letter of Credit in accordance with this Section, the Bank will within ten (10) days of the effective date of such cancellation or replacement refund to the Company any unearned portion of the letter of credit fee previously paid by the Company to the Bank pursuant to Section-2.4(a).

Section II.3. Reduction of Letter of Credit Amount; Restoration of Letter of Credit Amount. Without limiting the provisions of the Letter of Credit, the Letter of Credit - Interest Component shall be reduced in an amount equal to any draw to pay interest on the Bonds (including interest constituting a portion of the Purchase Price of Bonds), but shall be reinstated automatically ten (10) calendar days after drawing unless the Bank shall have notified the Trustee that (i) the Bank has not been reimbursed for said drawing or (ii) that an Event of Default has occurred and is continuing. In addition, and without limiting the provisions of the Letter of Credit, the Letter of Credit - Principal Component shall be reduced in an amount equal to any draw to pay principal of the Bonds (including any Tender Drawing), but, with respect to any Tender Drawing, such amount will be reinstated upon receipt by the Trustee of notice from the Bank that the Tender Advance applicable thereto has been repaid.

Section II.4. Fees Relating to Letter of Credit.

(a) The Company hereby agrees to pay to the Bank annually in advance, commencing on the Closing Date and thereafter on each Payment Date, a letter of credit fee, calculated in the manner provided in the last paragraph of Section 2.06(a)(ii) of the Credit Agreement, equal to the product of the Letter of Credit Amount in effect on the date of such payment (after giving effect to any reduction in the Letter of Credit Amount resulting from a redemption of Bonds on such date) multiplied by the applicable Fee Percentage. The letter of credit fee shall be computed on the basis of the actual number of days elapsed over a 360-day year. If a Tender Advance is outstanding on any Payment Date, the Company shall pay to the Bank an additional letter of credit fee on any date when all or a portion of the principal amount of such Tender Advance is repaid equal to the product of the principal amount of the Tender Advance being repaid, multiplied by (1) the Fee Percentage, and (2) the number of days from the date of such repayment until the next Payment Date divided by 360.

(b) If, after the date hereof, any law or regulation shall be adopted or any change in any law or regulation or in the interpretation thereof by any Governmental Authority shall occur, which adoption or change shall either: (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, the Bank, or (ii) impose on the Bank any other condition relating, directly or indirectly, to this Reimbursement Agreement or the Letter of Credit, and the result of any event referred to in clause (i) or (ii) of this subsection shall be to increase the cost to the Bank of issuing or maintaining the Letter of Credit, then the Company shall pay to the Bank, upon demand therefor by the Bank, such additional amounts as the Bank shall reasonably determine are necessary to compensate the Bank for such increased cost, together with interest on such amount calculated at the Default Rate from the date of such demand until payment in full if such amount is not paid in full within thirty (30) days after such demand. The Bank shall deliver to the Company a certificate as to such increased cost incurred by the Bank as a result of any event mentioned in this subsection, setting forth in reasonable detail the basis therefor and the manner of calculation thereof, as soon as practicable after the Bank becomes aware of such change, which certificate shall be conclusive (absent manifest error) as to the amount set forth therein.

(c) If after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations under the Letter of Credit to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy), then the Company shall pay to the Bank, upon demand therefor by the Bank, such additional amounts as the Bank shall reasonably determine are necessary to compensate the Bank for such reduced rate of return, together with interest on such amount calculated at the Default Rate from the date of such demand until payment in full if such amount is not paid in full within thirty (30) days after such demand. The Bank shall deliver to the Company a certificate as to such reduced rate of return incurred by the Bank as a result of any event mentioned in this subsection, setting forth in reasonable detail the basis therefor and the manner of calculation thereof, as soon as practicable after the Bank becomes aware of such change, which certificate shall be conclusive (absent manifest error) as to the amount set forth therein. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

(d) The Company hereby agrees to pay to the Bank upon each drawing under the Letter of Credit in accordance with its terms a drawing fee equal to \$100.00 per drawing, unless the Bank or one of its Affiliates is serving as Paying Agent pursuant to the terms of the Indenture on the date of such drawing. Such fee is due and payable on the date each drawing under the Letter of Credit is made.

Section II.5. Reimbursement of Drawings under Letter of Credit.

(a) The Company hereby agrees to pay to the Bank immediately after and on the same Business Day as any amount is drawn and paid under the Letter of Credit a sum equal to the amount so drawn; provided, however, that if the Bank makes a Tender Advance pursuant to Section 2.6 on account of a Tender Drawing, the Company's obligation to reimburse the Bank for the amount of such Tender Drawing shall be deemed satisfied by the Bank's application of the proceeds of such Tender Advance.

(b) If the Company fails to pay to the Bank any amount when due under this Reimbursement Agreement, interest shall accrue on any and all such amounts at the Default Rate (in the case of interest on interest, to the maximum extent permitted by law), commencing the day after such amounts first became due until payment in full, and the Company hereby agrees to pay such accrued interest to the Bank upon demand.

Section II.6. Tender Advances, Prepayments, Interest Computations and Notices.

(a) The Bank agrees to make Tender Advances to the Company for the purpose of paying Tender Drawings arising from time to time (other than a Tender Drawing upon conversion of the interest rate on the Bonds to a "Fixed Rate" as defined in the Indenture), subject to the following conditions precedent: (i) the representations and warranties contained in Article V hereof shall be true and correct on and as of the date of such Tender Drawing as if made on and as of such date; and (ii) after giving effect to the foregoing clause (i), no Default or Event of Default under this Reimbursement Agreement shall have occurred and be continuing. Each Tender Advance shall

be in an amount equal to a corresponding Tender Drawing and the proceeds of such Tender Advance shall be applied by the Bank automatically to the payment in full of such Tender Drawing. The Company hereby agrees to pay to the Bank the aggregate unpaid principal amount of all Tender Advances, together with all accrued and unpaid interest thereon, on the Termination Date. [The Tender Advances may, but need not, be made against and evidenced by such promissory notes or instruments as the Bank may deem appropriate. Where a Tender Advance is evidenced by a promissory note or other instrument, the Company hereby authorizes the Bank to endorse on any schedule which may be attached thereto the amount of each Tender Advance made by the Bank to the Company hereunder, the date such Tender Advance is made and the amount of each payment or prepayment of principal of such Tender Advance received by the Bank; provided, however, that any failure by the Bank to make any such endorsement shall not limit, modify or affect the obligations of the Company hereunder or under any promissory note or instrument relating thereto in respect of such Tender Advances.]

(b) The Company hereby promises to pay to the Bank interest at a rate per annum equal to the Tender Advance Interest Rate on the unpaid principal amount of each Tender Advance for the period commencing on the date of such Tender Advance to, but excluding, the date such Tender Advance is paid in full; provided, however, that if the Company fails to pay any portion of the principal of or accrued interest on any Tender Advance when due, interest on the unpaid principal amount of each Tender Advance shall accrue and be payable in accordance with the provisions of Section 2.5(b). Accrued interest on each Tender Advance shall be payable (i) on each Payment Date, (ii) upon the payment or prepayment thereof (but only on the principal so paid or prepaid), and (iii) on the Termination Date.

(c) All Tender Advances may be prepaid: (i)-at any time by the Company on one (1) Business Day's notice stating the amount to be prepaid (which shall be \$5,000 or a whole number multiple thereof); and (ii)-at any time on behalf of the Company on one (1) Business Day's notice from the Company or the Remarketing Agent directing the Bank to deliver (or, if the Bonds are then maintained in book-entry form, authorize the release of) a specified principal amount of Pledged Bonds held by or for the benefit of the Bank for remarketing pursuant to Section-2.7 of the Indenture. Each such notice of prepayment shall be irrevocable and shall specify the Tender Advance to be prepaid and the amount of the Tender Advance to be prepaid and the date of prepayment (which date shall be a Business Day). Upon payment to the Bank of the amount to be prepaid pursuant to clause (i) or (ii) above, together with accrued interest, as set forth in Section 2.6(b)(ii) hereof, to the date of such prepayment on the amount to be prepaid, the outstanding obligations of the Company under Section 2.6(a) shall be reduced by the amount of such prepayment, interest shall cease to accrue on the amount prepaid, and the Bank shall release or authorize the release from the pledge and security interest created under Section 9.1 hereof a principal amount of Pledged Bonds equal to the amount of such prepayment. Such Bonds shall be delivered to (or, if the Bonds are then maintained in book-entry form, registered for the account of) the Company, in the event of a prepayment pursuant to clause (i) above, or the Remarketing Agent pursuant to Section-2.7 of the Indenture, in the event of a prepayment pursuant to clause (ii)-above, as appropriate.

Section II.7. Form and Place of Payments; Computation of Interest. All payments by the Company to the Bank hereunder shall be made in lawful currency of the United States and in immediately available funds at the Bank's principal office, which at the date hereof is located at Winston-Salem, North Carolina. Whenever any payment hereunder shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day, and any interest payable thereof shall be payable for such extended time at the specified rate. All interest (including, without limitation, interest on Tender Advances) and fees hereunder shall be computed on the basis of the actual number of days elapsed over a 360-day year and shall include the first day but exclude the last day of the relevant period.

ARTICLE III. OBLIGATIONS ABSOLUTE.

Section III.1. Obligations Absolute, Unconditional and Irrevocable. The obligations of the Company under this Reimbursement Agreement and the Related Documents shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms hereof and thereof, under all circumstances whatsoever, irrespective of any of the following circumstances:

(a) any lack of validity or enforceability of this Reimbursement Agreement, the Letter of Credit, the Bonds or any of the other Related Documents;

(b) any amendment or waiver of or any consent to departure from this Reimbursement Agreement, the Letter of Credit, the Bonds or all or any of the other Related Documents (except to the extent such amendment or waiver expressly relieves the Company of an obligation under this Reimbursement Agreement or the Related Documents);

(c) the existence of any claim, setoff, defense or other rights which the Company or any other Person may have at any time against the Trustee, the Placement Agent, the Remarketing Agent, the Paying Agent, the Tender Agent, any beneficiary or any transferee of the Letter of Credit (or any Person for whom the Trustee, the Placement Agent, the Remarketing Agent, the Paying Agent, the Tender Agent, any such beneficiary or any such transferee may be acting), the Bank, or any other Person, whether in connection with this Reimbursement Agreement, the Letter of Credit, the Bonds, the Credit Agreement or any of the other Related Documents or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proves to be forged, fraudulent or invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever (absent gross negligence or willful misconduct by the Bank);

(e) payment by the Bank under the Letter of Credit against presentation of a draft or certificate that does not comply with the terms of the Letter of Credit (absent gross negligence or willful misconduct by the Bank); and

(f) any other circumstance or happening whatsoever whether or not similar to any of the foregoing.

Nothing contained herein shall act as a waiver of any rights or claims the Company may have against the Bank or any other party listed in Section 3.1(c) above.

ARTICLE IV. CONDITIONS PRECEDENT TO EXECUTION OF REIMBURSEMENT AGREEMENT

Section IV.1. Conditions Precedent to Execution of Reimbursement Agreement. Each of the following is a condition precedent to the obligation of the Bank to enter into this Reimbursement Agreement.

(a) On or before the Closing Date, the Bank shall have received the following documents, instruments, opinions and certificates, each in form and substance satisfactory to the Bank:

(i) a duly executed original of this Reimbursement Agreement and each of the other Related Documents;

(ii) a closing certificate executed by a principal financial officer of the Company to the effect that no Default has occurred and is continuing under the Credit Agreement, and that the representations and warranties of the Company contained in Article IV of the Credit Agreement are true in all material respects on and as of the Closing Date;

(iii) an Officer's Certificate, as defined in Section-3.01(f) of the Credit Agreement, addressed to the Bank, together with a copy of the items described in such section; and

(iv) the opinion of counsel for the Company dated the Date of Issuance, addressed to it, in substantially the form attached to the Placement Agreement as Exhibit-"D";

(v) the unqualified approving opinion of bond counsel in substantially the form attached to the Offering Memorandum as Appendix-"C";

(vi) the supplemental opinion of bond counsel in substantially the form attached to the Placement Agreement as Exhibit-"A";

(vii) the opinion of counsel with respect to bankruptcy preference issues as they relate to the Bonds in substantially the form attached to the Placement Agreement as Exhibit-"B";

(viii) the opinion of counsel for the Issuer dated the Date of Issuance in substantially the form attached to the Placement Agreement as Exhibit "C";

(ix) certified copies of all approvals, authorizations, or consents of, or notices to or registrations with, any Governmental Authority required to be obtained, given or effected by the Company with respect to the Bonds, any of the Related Documents or the Project; and

(x) such other documents, instruments, opinions, certificates, approvals or consents as the Bank may reasonably request.

(b) As of the Closing Date the Bank shall be satisfied that there has been no Material Adverse Change, and that all information, representations and materials submitted to the Bank by the Company in connection with the issuance of the Letter of Credit are accurate and complete in all material respects.

ARTICLE V. REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company set forth in Article-IV of the Credit Agreement are hereby incorporated by reference as is set forth herein. Such representations and warranties are true and accurate on the date hereof (and the date of any Tender Advance, if any, made pursuant to this Reimbursement Agreement).

ARTICLE VI. COVENANTS.

Until the Letter of Credit has terminated and all Reimbursement Obligations have been paid in full, the Company will, and will cause its Subsidiaries to:

Section VI.1. Financial and Business Information. Deliver to the Bank:

(a) As soon as available and in any event within forty-five (45) days after the close of each of the first three Fiscal Quarters of each Fiscal Year of the Company, beginning with the current quarter, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related consolidated statement of income and statement of cash flows for such Fiscal Quarter then ended and for that portion of the Fiscal Year then ended, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer or the chief accounting officer of the Borrower;

(b) As soon as available and in any event within ninety (90) days after the close of each Fiscal Year, consolidated balance sheets of the Company and its consolidated Subsidiaries as of the close of such Fiscal Year and the related audited consolidated statements of income, shareholders' equity and cash flows for each Fiscal Year, setting forth in comparative form the corresponding figures for the preceding Fiscal Year, all certified by KPMG Peat Marwick LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Bank;

(c) Concurrently with the delivery of the financial statements described in subsections (a) and (b) above, a certificate required by Section 5.01(c) of the Credit Agreement, in substantially the form of Exhibit-F to the Credit Agreement addressed to the Bank; and

(d) Copies of any other documents, instruments, certificates and notices required to be delivered to the Agent pursuant to Section 5.01 of the Credit Agreement.

Section VI.2. Notice of Certain Events. Promptly give notice in writing to the Bank of any Default or Event of Default under the Reimbursement Agreement.

Section VI.3. Covenants Incorporated by Reference. The covenants of the Company set forth in Sections 5.02 through 5.05, inclusive, and 5.07 through 5.22, inclusive, of the Credit Agreement are hereby incorporated by reference and shall be deemed to be made for the benefit the Bank under the Reimbursement Agreement as if fully set forth herein; provided that in all such covenants, the terms "the Banks" and "the Agent" shall be deemed to include the Bank, and the Bank shall be entitled to receipt of all notices, instruments, certificates and documents required to be delivered to the Banks or the Agent pursuant to such sections.

ARTICLE VII. RESERVED.

ARTICLE VIII. EVENTS OF DEFAULT; REMEDIES.

Section VIII.1. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

(a) The Company shall fail to pay when due any amount payable under this Reimbursement Agreement;

(b) The Company shall fail to observe or perform any covenant, restriction or agreement contained in Sections 6.1, 6.2 and 6.3 of this Reimbursement Agreement;

(c) The Company shall fail to observe or perform any covenant, restriction or agreement contained in this Reimbursement Agreement and not described in Sections 8.1(a) and (b) above for thirty (30) days after receipt by the Company of written notice from the Bank;

(d) Any representation, warranty, certification or statement made or deemed made by the Company in Article V of this Reimbursement Agreement, in any Related Document, in the Credit Agreement or in any certificate, financial statement or other document delivered pursuant to this Reimbursement Agreement or any Related Document shall prove to have been incorrect in any material respect when made or deemed made;

(e) A default or event of default as defined in any Related Document shall occur and be continuing; or

(f) A default or event of default as defined in the Credit Agreement or in any other agreement between the Company and the Bank shall occur and be continuing.

Section VIII.2. Remedies. Upon the occurrence and during the continuance of any Event of Default:

(a) Acceleration of Indebtedness. The Bank may, in its sole discretion, (i) declare all Tender Advances and all other amounts due hereunder and all interest accrued thereon to be immediately due and payable, and upon such declaration the same shall become and be immediately due and payable, without presentment, protest or other notice of any kind, all of which are hereby waived by the Company, (ii) notify the Trustee of such occurrence and thereby require the Trustee immediately to declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable pursuant to the Indenture, and (iii) pursue all remedies available to it by contract, at law or in equity.

(b) Right of Set-off. The Bank may, and is hereby authorized by the Company, at any time and from time to time, to the fullest extent permitted by applicable laws, without advance notice to the Company (any such notice being expressly waived by the Company), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and any other indebtedness at any time owing by the Bank or any of its Affiliates to or for the credit or the account of the Company against any or all of the obligations of the Company under this Reimbursement Agreement now or hereafter existing, whether or not such obligations have matured. The Bank agrees promptly to notify the Company after any such set-off or application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

(c) Rights and Remedies Cumulative; Non-Waiver; etc. The enumeration of the Bank's rights and remedies set forth in this Reimbursement Agreement is not intended to be exhaustive and the exercise by the Bank of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder, under any Related Documents or under any other

agreement between the Company and the Bank or that may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Bank in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Company and the Bank or their agents or employees shall be effective to change, modify or discharge any provision of this Reimbursement Agreement or any of the Related Documents or to constitute a waiver of any Event of Default.

ARTICLE IX. PLEDGED BONDS.

Section IX.1. The Pledge. The Company hereby pledges, assigns, hypothecates, transfers, and delivers to the Bank all its right, title and interest to, and hereby grants to the Bank a first lien on, and security interest in, all right, title and interest of the Company in and to the following (hereinafter collectively called the "Pledged Bond Collateral"):

- (i) all Pledged Bonds;
- (ii) all income, earnings, profits, interest, premium or other payments in whatever form in respect of the Pledged Bonds; and
- (iii) all proceeds (cash and non-cash) arising out of the sale, exchange, collection, enforcement or other disposition of all or any portion of the Pledged Bonds.

The Pledged Bond Collateral shall serve as security for the payment and performance when due of the Reimbursement Obligations. The Company shall deliver, or cause to be delivered, the Pledged Bonds to the Bank or to a pledge agent designated by the Bank immediately upon receipt thereof or, in the case of Pledged Bonds held under a book-entry system administered by The Depository Trust Company ("DTC"), New York, New York (or any other clearing corporation), the Company shall cause the Pledged Bonds to be reflected on the records of DTC (or such other clearing corporation) as a position held by the Bank (or a pledge agent acceptable to the Bank) as a DTC participant (or a participant in such other clearing corporation) and the Bank (or its pledge agent) shall reflect on its records that the Pledged Bonds are owned beneficially by the Company subject to the pledge in favor of the Bank.

Section IX.2. Remedies Upon Default. If any Event of Default shall have occurred and be continuing, the Bank, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Pledged Bond Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said Pledged Bond Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Pledged Bond Collateral so sold, free of any right or equity of redemption in the Company, which right or equity is hereby expressly waived or released. The Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Pledged Bond Collateral or in any way relating to the rights of the Bank hereunder, including reasonable attorneys' fees and legal expenses, to the payment in whole or in part of the Reimbursement Obligations in such order as the Bank may elect, the Company remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Bank of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Uniform Commercial Code, need the Bank account for the surplus, if any, to the Company. The Company agrees that the Bank need not give more than ten days notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Company if it has signed after Default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to the Bank in this Reimbursement Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Reimbursement Obligations, the Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State of North Carolina at that time.

If the Bank sells any of the Pledged Bond Collateral pursuant to this Section 9.2, the Bank agrees that it will reinstate the Letter of Credit in an amount sufficient to cover all principal and accrued interest on the Bonds so sold for up to 120 days at 15% per annum (computed on the basis of a 360-day year).

Section IX.3. Valid Perfected First Lien. The Company covenants that the pledge, assignment and delivery of the Pledged Bond Collateral hereunder will create a valid, perfected, first priority security interest in all right, title or interest of the Company in or to such Pledged Bond Collateral, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Company which would include the Pledged Bond Collateral. The Company covenants and agrees that it will defend the Bank's right, title and security interest in and to the Pledged Bond Collateral and the proceeds thereof against the claims and demands of all persons whomsoever.

Section IX.4. Release of Pledged Bonds. Pledged Bonds shall be released from the security interest created hereunder upon satisfaction of the Reimbursement Obligations with respect to such Pledged Bonds as provided in Section 2.8 of the Indenture.

ARTICLE X. MISCELLANEOUS.

Section X.1. Costs, Expenses and Taxes. The Company agrees to pay on demand all reasonable out-of-pocket expenses of the Bank, including reasonable fees and disbursements of counsel, in connection with: (i)-the preparation, execution, delivery, and filing, if required, of this Reimbursement Agreement, the Letter of Credit, the Related Documents and otherwise in connection with the issuance of the Bonds (ii)-any amendments, supplements, consents or waivers hereto or thereto, and (iii)-the administration or enforcement of this Reimbursement Agreement, the Bonds, the Letter of Credit and the Related Documents and any other documents which may be delivered in connection herewith or therewith. In addition, the Company shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Reimbursement Agreement and the Related Documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. It is the intention of the parties hereto that the Company shall pay amounts referred to in this Section directly. In the event the Bank pays any of the amounts referred to in this Section directly, the Company will reimburse the Bank for such advances and interest on such advance shall accrue until reimbursed at the Default Rate.

Section X.2. Indemnification. From and at all times after the date of this Reimbursement Agreement, and in addition to all of the Bank's other rights and remedies against the Company, the Company agrees to indemnify, defend and hold harmless the Bank, and each director, officer, employee, agent, successor, assign and affiliate of the Bank from and against the following (collectively "Costs"): any and all claims (whether valid or not), losses, damages, actions, suits, inquiries, investigations, administrative proceedings, judgments, liens, liabilities, penalties, fines, amounts paid in settlement, requirements of Governmental Authorities, punitive damages, interest, damages to natural resources and other costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorneys' fees and expenses, court costs and fees, and consultant and expert witness fees and expenses) arising in any manner, directly or indirectly, out of or by reason of (a) the negotiation, preparation, execution or performance of this Reimbursement Agreement or the Related Documents, or any transaction contemplated herein or therein, whether or not the Bank or any other party protected under the indemnity agreement under this paragraph is a party to any action, proceeding or suit in question, or the target of any inquiry or investigation in question; provided, however, that no indemnified party shall have the right to be indemnified hereunder for any liability resulting from the willful misconduct or gross negligence of such indemnified party (as finally determined by a court of competent jurisdiction), (b) any breach of any of the covenants, warranties or representations of the Company hereunder or under any Related Document, (c) any violation or alleged violation of any Environmental Law, federal or state securities law, common law, equitable requirement or other legal requirement by the Company or with respect to any property owned, leased or operated by the Company (in the past, currently or in the future), (d) by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Offering Memorandum, or in any supplement or amendment thereto, or the omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading (other than statements or information supplied by the Bank for incorporation in the Offering Memorandum); (e) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit (unless such Cost was caused by the willful misconduct or gross negligence of the Bank); and/or (f) any presence, generation, treatment, storage, disposal, transport, movement, release, suspected release or threatened release of any Hazardous Material on, in, to or from any property (or any part thereof including without limitation the soil and groundwater thereon and thereunder) owned, leased or operated by the Company (in the past, currently or in the future).

All of the foregoing Costs and obligations of the Company shall be additional obligations hereunder. In the event the Bank or any other indemnified party shall suffer or incur any Costs, the Company shall pay to the indemnified party the total of all such Costs suffered or incurred by the party, and fulfill its other obligations hereunder, on demand.

Without limiting the foregoing, the Company shall be obligated to pay, on demand, the costs of any investigation, monitoring, assessment, enforcement, removal, remediation, restoration or other response or corrective action undertaken by the Bank or any other indemnified party, or their respective agents, with respect to any property owned, leased or operated by the Company.

It is expressly understood and agreed that the obligations of the Company under this Section shall not be limited to any extent by the term of the Letter of Credit or this Reimbursement Agreement and shall remain in full force and effect unless and until expressly terminated by Bank in writing.

Section X.3. Waiver of Jury Trial. AS PART OF THE CONSIDERATION FOR NEW VALUE THIS DAY RECEIVED, THE COMPANY HEREBY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING WITHIN THE STATE OF NORTH CAROLINA FOR ANY ACTION TO WHICH THE COMPANY AND THE BANK ARE PARTIES ARISING OUT OF OR IN CONNECTION WITH THIS REIMBURSEMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS. TO THE EXTENT PERMITTED BY LAW, THE COMPANY WAIVES TRIAL BY JURY AND WAIVES ANY OBJECTION WHICH THE COMPANY MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY ACTION INSTITUTED HEREUNDER OR UNDER ANY OF THE RELATED DOCUMENTS, OR ARISING OUT OF OR IN CONNECTION WITH THIS REIMBURSEMENT AGREEMENT OR ANY OF THE

RELATED DOCUMENTS, OR ANY OTHER PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS REIMBURSEMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS TO WHICH THE BANK IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING OR STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE BANK OR THE COMPANY, AND THE COMPANY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF THE BANK TO BRING ANY ACTION OR PROCEEDING AGAINST THE COMPANY IN THE COURTS OF ANY OTHER JURISDICTION THAT HAS JURISDICTION OVER THE COMPANY.

Section X.4. Waiver of Automatic or Supplemental Stay. In the event that a petition for relief under any chapter of the Bankruptcy Code is filed by or against the Company, the Company promises and covenants that it will not seek a supplemental stay pursuant to Bankruptcy Code S-105 or 362 or any other relief pursuant to Bankruptcy Code S 105 or any other provision of the Bankruptcy Code, whether injunctive or otherwise, which would stay, interdict, condition, reduce or inhibit the Bank's ability to enforce any rights it has, at law or in equity, to collect the Reimbursement Obligations from any Person other than the Company.

Section X.5. Notices. All demands, notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered, if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt), or five (5) days after being mailed, if mailed by first class, registered or certified mail, postage prepaid, to the address or telecopy number set forth below:

Party	Address
Company	Culp, Inc. 101 South Main Street High Point, North Carolina 27261 Attention: Franklin N. Saxon Telephone: (910) 888-6266 Telecopy: (910) 889-7089
Bank	Wachovia Bank, National Association Post Office Box 631 High Point, North Carolina 27261 Attention: Peter T. Callahan Telephone: (910) 887-7641 Telecopy: (910) 887-7550
with copies to:	Wachovia Bank, National Association 301 North Main Street Winston-Salem, North Carolina 27150 Attention: International Department Wachovia Bank, National Association 100 North Main Street Winston-Salem, North Carolina 27101 Attention: Bond and Money Market Group/Customer Services
Trustee	First-Citizens Bank & Trust Company 2917 Highwoods Boulevard Raleigh, North Carolina 27604 Attention: Corporate Trust Department Telephone: (919) 755-7422 Facsimile: (919) 755-2025

The Company, the Bank or the Trustee may, by notice given hereunder, designate any further or different addresses or telecopy numbers to which subsequent demands, notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

Section X.6. Payment from Bank's Funds. The Bank hereby covenants and agrees that any payments under the Letter of Credit will be made with the Bank's own funds and not with funds of the Issuer or the Company.

Section X.7. Limited Liability of the Bank. As between the Company and the Bank, the Company agrees to assume all risk of the acts or omissions of the Trustee (and any transferee of the Letter of Credit) with respect to its use of the Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee (or transferee) and any beneficiary in connection therewith; (b)-the validity, or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged; or (c)-any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except that the Company shall have a claim against the Bank, and the Bank shall be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Company which were caused by: (y)-the Bank's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms thereof; or (z)-the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Trustee (or a successor trustee under the Indenture to whom the Letter of Credit has been transferred in accordance with its terms) of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order without responsibility for further investigation.

Section X.8. Continuing Obligations; Revival of Obligations. The obligations of the Company under this Reimbursement Agreement shall continue until all amounts due and owing to the Bank hereunder as of the Termination Date shall have been paid in full; provided, however, that the obligations of

the Company pursuant to Sections 10.1 and 10.2 hereof shall survive the termination of this Reimbursement Agreement. The Company further agrees that to the extent the Company makes a payment to the Bank, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver, or any other party under any bankruptcy, insolvency or other similar state or federal statute, common law or principles of equity, then, to the extent of such repayment by the Bank, the Reimbursement Obligations or part thereof intended to be satisfied by such payment shall be revived and continued in full force and effect as if such payment had not been received by the Bank.

Section X.9. Confirmation of Lien. The Company hereby grants to the Bank, to secure payment by the Company of sums due hereunder, a lien on moneys or instruments (at such times as they become payable to the Company under the Indenture) which the Company has an interest in or title to pursuant to Sections 4.1, 4.2 or 4.4 of the Indenture, now or hereafter held in the Bond Fund, Initial Fund or Bond Purchase Fund (as such terms are defined in the Indenture) or otherwise by the Trustee under any provision of the Indenture and in the right of the Company to receive any such moneys or instruments. The Bank hereby confirms that such lien is and shall be junior and subordinate to the lien on such moneys in favor of the holders of the Bonds and the Trustee.

Section X.10. Controlling Law. This Reimbursement Agreement has been executed, delivered and accepted at, and shall be deemed to have been made in, North Carolina and shall be interpreted in accordance with the internal laws (as opposed to conflicts of laws provisions) of the State of North Carolina.

Section X.11. Successors And Assigns. This Reimbursement Agreement shall be binding upon the Company, its successors and assigns and all rights against the Company arising under this Reimbursement Agreement shall be for the sole benefit of the Bank.

Section X.12. Assignment and Sale. Without the prior written consent of the Bank, the Company may not sell, assign or transfer this Reimbursement Agreement or any of the Related Documents or any portion hereof or thereof, including without limitation the Company's rights, title, interests, remedies, powers, and duties hereunder or thereunder.

Section X.13. Amendment. This Reimbursement Agreement can be amended or modified only by an instrument in writing signed by the parties. The Company must provide the Trustee with prior written notice of any amendment or modification of Section 2.2(b).

Section X.14. Severability. In the event that any provision of this Reimbursement Agreement shall be determined to be invalid or unenforceable by any court of competent jurisdiction, such determination shall not invalidate or render unenforceable any other provision hereof.

Section X.15. Entire Reimbursement Agreement. THIS REIMBURSEMENT AGREEMENT AND THE DOCUMENTS AND INSTRUMENTS EXECUTED AND DELIVERED CONTEMPORANEOUSLY HERewith AND THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE EMBODY THE ENTIRE REIMBURSEMENT AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES HERETO AND SUPERSEDE ALL PRIOR AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, VERBAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF. THIS REIMBURSEMENT AGREEMENT AND THE DOCUMENTS AND INSTRUMENTS EXECUTED IN CONNECTION HERewith AND THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE REPRESENT THE FINAL REIMBURSEMENT AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section X.16. Counterparts. This Reimbursement Agreement may be executed in several counterparts, each of which shall be an original and all of which, together shall constitute but one and the same instrument.

Section X.17. Captions. The captions to the various sections and subsections of this Reimbursement Agreement have been inserted for convenience only and shall not limit or affect any of the terms hereof.

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

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

CULP, INC.

By: _____
Name: _____
Title: _____

[Execution by the Bank appears on the following page.]

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT A
IRREVOCABLE LETTER OF CREDIT
No. LC _____

July __, 1997

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

Ladies and Gentlemen:

1. We hereby establish, at the request and for the account of Culp, Inc., a North Carolina corporation (the "Company"), in your favor, as Trustee under the Indenture of Trust dated as of July 1, 1997 (the "Indenture") between The Robeson County Industrial Facilities and Pollution Control Financing Authority (the "Issuer") and the Trustee, pursuant to which \$8,000,000 in aggregate principal amount of the Issuer's Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Culp, Inc. Project) Series 1997 (the "Bonds") are being issued, our Irrevocable Letter of Credit No. LC _____ (the "Letter of Credit"), in the amount of \$8,925,000 (as more fully described below), effective immediately and expiring on the earliest to occur of any of the following (the "Termination Date"): (i)-the close of business on March 1, 2001, or, if such date is extended pursuant to Section-2.2(b) of the Reimbursement and Security Agreement dated as of July 1, 1997 between the Company and us (the "Reimbursement Agreement"), the date as so extended, (ii)-the date on which the principal amount of and interest on the Bonds shall have been paid in full, (iii)-the close of business on the second Business Day following conversion of the interest rate on the Bonds to a Fixed Rate (as defined in the Indenture), (iv)-the date on which we honor the draft drawn hereunder pursuant to Section 3.8(a)(iii) of the Indenture following the occurrence of an Event of Default under the Indenture and an acceleration, (v)-the date this Letter of Credit is surrendered to us for cancellation, or (vi)-the date we honor the final drawing available hereunder.

2. We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions, and subject to reductions in amount and reinstatement, as hereinafter set forth, by your drafts, an aggregate amount not exceeding \$8,500,000 (the "Letter of Credit Amount"), of which an aggregate amount not exceeding \$8,500,000 may be drawn upon with respect to payment of principal of the Bonds or that portion of the purchase price of Bonds tendered for purchase ("Purchase Price") corresponding to principal (the "Letter of Credit Amount-Principal Component"), and of which an aggregate amount not exceeding \$425,000 (but no more than an amount equal to accrued interest on the Bonds for the immediately preceding 120 days, computed as though the Bonds bore interest at the rate of 15% per annum notwithstanding the actual rate borne by the Bonds from time to time, based on a 360-day year) may be drawn upon with respect to payment of interest on the Bonds or that portion of the Purchase Price of Bonds corresponding to interest (the "Letter of Credit Amount-Interest Component"). The foregoing maximum amounts comprising the Letter of Credit Amount-Principal Component and the Letter of Credit Amount-Interest Component will be reduced upon redemption of any Bonds as provided in Section 2.18 of the Indenture or upon payment of Bonds at maturity or upon defeasance of any Bonds pursuant to Article V of the Indenture, and in such circumstances you shall deliver to us a certificate in the form of Exhibit-5 attached hereto.

3. Only you, as Trustee may make drawings under this Letter of Credit. Upon the payment to you or your account of the amount specified in a draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such draft to you or to any other person who may have made to you or who makes to you a demand for purchase of, or payment of principal of or interest on any Bond. Bonds that are registered in the name of, or held by or for the account of the Company or are held or required to be held for our benefit pursuant to Section 2.8(b) of the Indenture ("Pledged Bonds") shall not be entitled to any benefit of this Letter of Credit.

4. The Letter of Credit Amount-Principal Component and the Letter of Credit Amount-Interest Component, as the case may be, shall be reduced immediately following our honoring any draft drawn hereunder to pay principal of, or interest on, the Bonds, to pay the interest portion of the Purchase Price of the Bonds, or to pay the principal portion of the Purchase Price of the Bonds (a "Tender Drawing"), in each case by an amount equal to the amount of such draft.

5. On the tenth calendar day following each drawing hereunder to pay interest on the Bonds (including interest constituting a portion of the Purchase Price of Bonds), the amount so drawn shall be reinstated to the Letter of Credit Amount-Interest Component unless you shall have theretofore received notice from us to the effect that (i)-we have not been reimbursed in full by the Company for the amount of such drawing, together with interest, if any, owing thereon pursuant to the Reimbursement Agreement or (ii)-an Event of Default under the Reimbursement Agreement between the Company and us has occurred and is then continuing.

6. Immediately upon our written notice to you that we have been reimbursed for any loan or advance made by us to the Company, the proceeds of which loan or advance were used by the Company to reimburse us for a Tender Drawing hereunder, the amount so drawn shall be restored, as of the date of the Tender Drawing, to the Letter of Credit Amount-Principal Component.

7. Subject to the provisions of paragraphs 5 and 6 hereof, drawings hereunder honored by us shall not, in the aggregate, exceed the Letter of Credit Amount, as reduced from time to time pursuant to the terms hereof.

8. Funds under this Letter of Credit are available to you against (a) your draft payable on the date such draft is drawn on us, stating on its face: "Drawn under Wachovia Bank of North Carolina, National Association Irrevocable Letter of Credit No. LC _____"; (b)-if the drawing is being made with respect to payment of principal of the Bonds, a certificate signed by you in the form of Exhibit 1 attached hereto appropriately completed; (c)-if the drawing is being made with respect to payment of interest on the Bonds, a certificate signed by you in the form of Exhibit-2 attached hereto appropriately completed; (d)-if the drawing is a Tender Drawing, a certificate signed by you in the form of Exhibit-3 attached hereto

appropriately completed; and (e)-simultaneously with any Tender Drawing being made hereunder, a certificate signed by you in the form of Exhibit-4 attached hereto appropriately completed regarding the portion of the Purchase Price of the Bonds corresponding to interest. Such draft(s) and certificate(s) shall be dated the date of presentation, which shall be made at our office located at 301-North Main Street, Winston-Salem, North Carolina 27150, Attention: International Department (or any other office which may be designated by us by written notice delivered to you). If we receive your draft(s) and certificate(s) at such office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 11:00 a.m., Winston-Salem, North Carolina time, on a Business Day on or prior to the Termination Date, we will honor the same no later than 1:00-p.m., Winston-Salem, North Carolina time, on the same Business Day in accordance with your payment instructions. If we receive your drafts and certificates (as referenced in subparagraphs (a) through (e) above) after 11:00-a.m., Winston-Salem, North Carolina time, on a Business Day, on or prior to the Termination Date, we will honor the same no later than 11:00 a.m., Winston-Salem, North Carolina time, on the next succeeding Business Day. Advance notification of drawings under this Letter of Credit may be made by a telecopy transmission of the documents described in the applicable subparagraphs (a) through (e) above not less than one Business Day prior to the date of presentation to Telecopier No. (910) 770-4058 (with transmission confirmed by call to Telephone No. (910) 770-6456) or such other telecopier and telephone numbers that we hereafter designate by written notice delivered to you. If an advance notification of drawing is made by telecopier, it must contain an additional certification by you that the originals of the draft and the certificate on your letterhead manually signed by one of your officers will be concurrently forwarded to us by express courier to reach us by the date of payment. Payment under this Letter of Credit will be made out of our funds and, if requested by you, will be made by wire transfer of federal funds to your account with any bank which is a member of the Federal Reserve System, or by deposit of immediately available funds into a designated account that you maintain with us.

9. As used herein, the term "Business Day" shall mean any day on which our office at which drawings on this Letter of Credit are made and the offices of the Trustee, the Paying Agent, the Tender Agent, the Registrar and the Remarketing Agent (as each term is defined in the Indenture) are each open for business and on which The New York Stock Exchange is not closed.

10. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at our office address set forth in or designated pursuant to Paragraph 8 above and shall specifically refer to the number of this Letter of Credit.

11. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Trustee under the Indenture and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Exhibit-6 attached hereto and payment of our customary transfer fee.

12. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds, the Indenture and the Reimbursement Agreement), except the forms of the certificates and the drafts referred to herein, and any such reference (except as aforesaid) shall not be deemed to incorporate herein, any document, instrument or agreement except for such certificates or drafts.

13. This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication No. 500 or by subsequent Uniform Customs and Practice for Documentary Credits fixed by subsequent Congresses of the International Chamber of Commerce (the "UCP") and, to the extent not inconsistent with the UCP, the laws of the State of North Carolina.

Very truly yours,

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____
Authorized Officer

EXHIBIT 1

CERTIFICATE FOR THE PAYMENT OF PRINCIPAL OF
THE ROBESON COUNTY INDUSTRIAL FACILITIES AND
POLLUTION CONTROL FINANCING AUTHORITY
TAX-EXEMPT ADJUSTABLE MODE
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(CULP, INC. PROJECT) SERIES 1997

The undersigned, a duly authorized officer of First-Citizens Bank & Trust Company (the "Trustee"), hereby certifies as follows to Wachovia Bank, National Association (the "Bank") with reference to Irrevocable Letter of Credit No. LC ____-____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

- (1) The Trustee is the Trustee under the Indenture.
- (2) The Trustee is making a drawing under the Letter of Credit with respect to the payment of principal of the Bonds in accordance with Section 3.8 of the Indenture.
- (3) The amount of principal of the Bonds which is due and payable (or which has been declared to be due and payable) and with respect to the payment of which the Trustee does not have available amounts that pursuant to Section 4.1 of the Indenture are to be applied to such payment prior to moneys drawn under the Letter of Credit is \$_____, and the amount of the draft accompanying this Certificate does not exceed such amount of principal.
- (4) The amount of the draft accompanying this Certificate does not include any amount in respect of the principal amount of any Pledged Bonds, does not exceed the amount available to be drawn under the Letter of Credit in respect of payment of principal of the Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture.
- [(5) The draft accompanying this certificate is the final draft to be drawn under the Letter of Credit with respect to principal and, upon the honoring of such draft, the Letter of Credit will expire in accordance with its terms and the Trustee will surrender the Letter of Credit to the Bank.]*

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

FIRST-CITIZENS BANK & TRUST COMPANY, as Trustee

By: _____
[Name and Title]

* To be used only upon stated or accelerated maturity or optional or mandatory redemption of the Bonds as a whole.

EXHIBIT 2

CERTIFICATE FOR THE PAYMENT OF INTEREST ON
THE ROBESON COUNTY INDUSTRIAL FACILITIES AND
POLLUTION CONTROL FINANCING AUTHORITY
TAX-EXEMPT ADJUSTABLE RATE
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(CULP, INC. PROJECT) SERIES 1997

The undersigned, a duly authorized officer of First-Citizens Bank & Trust Company (the "Trustee"), hereby certifies as follows to Wachovia Bank, National Association (the "Bank") with reference to Irrevocable Letter of Credit No. LC ____-____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

- (1) The Trustee is the Trustee under the Indenture.
- (2) The Trustee is making a drawing under the Letter of Credit with respect to the payment of interest accrued on the Bonds in accordance with Section 3.8 of the Indenture.
- (3) The amount of interest on the Bonds which is due and payable (or which has been declared to be due and payable) and with respect to the payment of which the Trustee does not have available amounts that pursuant to Section 4.1 of the Indenture are to be applied to such payment prior to moneys drawn under the Letter of Credit is \$_____, and the amount of the draft accompanying this Certificate does not exceed such amount of interest.
- (4) The amount of the draft accompanying this Certificate does not include any amount in respect of the interest on any Pledged Bonds, does not exceed the amount available to be drawn under the Letter of Credit in respect of payment of interest accrued on the Bonds on or prior to their stated maturity date or to the redemption date, as the case may be, and was computed in accordance with the terms and conditions of the Bonds and the Indenture.
- [(5) The draft accompanying this certificate is the final draft to be drawn under the Letter of Credit with respect to interest and, upon the honoring of such draft, no Bonds shall remain Outstanding (as defined in the Indenture), the Letter of Credit will expire in accordance with its terms and the Trustee will surrender the Letter of Credit to the Bank.]*

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

FIRST CITIZENS BANK & TRUST COMPANY, as-Trustee

By: _____
[Name and Title]

* To be used only upon stated or accelerated maturity or optional or mandatory redemption of the Bonds as a whole.

EXHIBIT 3

CERTIFICATE FOR THE PAYMENT OF THAT PORTION OF
THE PURCHASE PRICE OF BONDS CORRESPONDING TO
PRINCIPAL OF THE ROBESON COUNTY INDUSTRIAL FACILITIES
AND POLLUTION CONTROL FINANCING AUTHORITY
TAX-EXEMPT ADJUSTABLE MODE
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(CULP, INC. PROJECT) SERIES 1997

The undersigned, a duly authorized officer of First-Citizens Bank-& Trust Company (the "Trustee"), hereby certifies as follows to Wachovia Bank, National Association (the "Bank") with reference to Irrevocable Letter of Credit No. LC ____-____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

- (1) The Trustee is the Trustee under the Indenture.
- (2) The Trustee is making a Tender Drawing under the Letter of Credit pursuant to Section 3.8(a)(ii) of the Indenture with respect to the purchase of Bonds corresponding to the principal of Bonds tendered or deemed tendered pursuant to Section 2.6 of the Indenture and not remarketed by the Remarketing Agent on or before the date such Bonds are to be purchased.
- (3) The amount of Purchase Price corresponding to principal of such Bonds less the amount of monies on deposit in the Bond Purchase Fund and available for the purchase of such Bonds as contemplated in Section 2.6(g)(i) and (ii) of the Indenture is \$_____ and the amount of the draft accompanying this Certificate does not exceed such amount of principal.
- (4) The amount of the draft accompanying this Certificate does not exceed the amount available to be drawn under the Letter of Credit in respect of the Purchase Price corresponding to principal of such Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

FIRST CITIZENS BANK & TRUST COMPANY, as-Trustee

By: _____
[Name and Title]

P

EXHIBIT 4

CERTIFICATE FOR THE PAYMENT OF THAT PORTION OF
THE PURCHASE PRICE OF BONDS CORRESPONDING TO
INTEREST ON THE ROBESON COUNTY INDUSTRIAL FACILITIES
AND POLLUTION CONTROL FINANCING AUTHORITY
TAX-EXEMPT ADJUSTABLE MODE
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(CULP, INC. PROJECT) SERIES 1997

The undersigned, a duly authorized officer of First-Citizens Bank & Trust Company (the "Trustee"), hereby certifies as follows to Wachovia Bank, National Association (the "Bank") with reference to Irrevocable Letter of Credit No. LC ____-____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

- (1) The Trustee is the Trustee under the Indenture.
- (2) The Trustee is making a Tender Drawing under the Letter of Credit pursuant to Section 3.8(a)(ii) of the Indenture simultaneously herewith with respect to the purchase of Bonds corresponding to principal on Bonds tendered or deemed tendered pursuant to Section 2.6 of the Indenture and not remarketed by the Remarketing Agent on or before the date such Bonds are to be purchased.
- (3) A portion of the Purchase Price of Bonds corresponding to interest on such Bonds less the amount of monies on deposit in the Bond Purchase Fund and available for the purchase of such Bonds as contemplated in Section 2.6(g)(i) and (ii) of the Indenture is \$_____ and the amount of the draft accompanying this Certificate does not exceed such amount of interest.
- (4) The amount of the draft accompanying this Certificate does not exceed the amount available to be drawn under the Letter of Credit in respect of the Purchase Price corresponding to interest on such Bonds and was computed in accordance with the terms and conditions of the Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

FIRST-CITIZENS BANK & TRUST COMPANY,
as Trustee

By: _____
[Name and Title]

EXHIBIT 5

CERTIFICATE FOR THE PERMANENT
REDUCTION OF LETTER OF CREDIT AMOUNT

The undersigned, a duly authorized officer of First-Citizens Bank-& Trust Company (the "Trustee"), hereby certifies as follows to Wachovia Bank, National Association (the "Bank") with reference to Irrevocable Letter of Credit No. LC _____ (the "Letter of Credit") issued by the Bank in favor of the Trustee. Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit.

P

- (1) The Trustee is the Trustee under the Indenture.
- (2) The aggregate principal amount of the Bonds Outstanding (as defined in the Indenture) has been reduced to \$_____.
- (3) The Letter of Credit Amount-Principal Component is hereby correspondingly reduced to \$_____.
- (4) The Letter of Credit Amount-Interest Component is hereby reduced to \$_____ [calculated by multiplying the amount of the principal amount in the last line of paragraph (2) hereof by 15% and multiplying the product thereof by the quotient of 120 divided by 360] to reflect the amount of interest allocable to the reduced amount of principal set forth in paragraph (3) hereof.

IN WITNESS WHEREOF, the Trustee has executed this Certificate as of the _____ day of _____, _____.

FIRST-CITIZENS BANK & TRUST COMPANY,
as Trustee

By: _____
[Name and Title]

EXHIBIT 6

INSTRUCTION TO TRANSFER

_____ / _____

Wachovia Bank, National Association
301 North Main Street
Winston-Salem, North Carolina 27150
Attention: International Department

Re: Irrevocable Letter of Credit No. LC ____-_____

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably instructs you to transfer to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). The transferee has succeeded the undersigned as Trustee under the Indenture of Trust dated as of July 1, 1997, between The Robeson County Industrial Facilities and Pollution Control Financing Authority and First-Citizens Bank & Trust Company, as trustee.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; provided, however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, ____.

FIRST-CITIZENS BANK & TRUST COMPANY,
as Trustee

By: _____
[Name and Title]

(Replace this text with the legend)

0000723603
Culp, Inc.

1,000

3-MOS

May-03-1998
Apr-28-1997
Aug-03-1997
1,843

0
56,108
2,022
60,715

122,770
182,716

85,588
253,319
33,801

0
0

632
112,905

253,319

99,498
99,498

82,765
242

0
1,190
4,385

1,535
0

0
0
0

2,850
.23
.23