

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 October 29, 1995

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

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

56-1001967

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

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

27261-2686
(zip code)

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

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

YES X NO

Common shares outstanding at October 29, 1995: 11,219,016
Par Value: \$.05

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October 29, 1995

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CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 29, 1995 AND OCTOBER 30, 1994

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
Net sales	90,672	78,445	15.6 %	100.0 %	100.0 %
Cost of sales	74,565	64,272	16.0 %	82.2 %	81.9 %
Gross profit	16,107	14,173	13.6 %	17.8 %	18.1 %
Selling, general and administrative expenses	9,675	8,363	15.7 %	10.7 %	10.7 %
Income from operations	6,432	5,810	10.7 %	7.1 %	7.4 %
Interest expense	1,388	1,144	21.3 %	1.5 %	1.5 %
Interest income	0	(24)	(100.0)%	0.0 %	(0.0)%
Other expense (income), net	219	190	15.3 %	0.2 %	0.2 %
Income before income taxes	4,825	4,500	7.2 %	5.3 %	5.7 %
Income taxes *	1,825	1,700	7.4 %	37.8 %	37.8 %
Net income	3,000	2,800	7.1 %	3.3 %	3.6 %
Average shares outstanding	11,211	11,205	0.1 %		
Net income per share	\$0.27	\$0.25	8.0 %		
Dividends per share	\$0.0275	\$0.025	10.0 %		

	SIX MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
Net sales	163,029	144,794	12.6 %	100.0 %	100.0 %
Cost of sales	134,724	119,521	12.7 %	82.6 %	82.5 %
Gross profit	28,305	25,273	12.0 %	17.4 %	17.5 %
Selling, general and administrative expenses	18,129	15,932	13.8 %	11.1 %	11.0 %
Income from operations	10,176	9,341	8.9 %	6.2 %	6.5 %
Interest expense	2,685	2,221	20.9 %	1.6 %	1.5 %
Interest income	0	(47)	(100.0)%	0.0 %	(0.0)%
Other expense (income), net	326	367	(11.2)%	0.2 %	0.3 %
Income before income taxes	7,165	6,800	5.4 %	4.4 %	4.7 %
Income taxes *	2,650	2,550	3.9 %	37.0 %	37.5 %
Net income	4,515	4,250	6.2 %	2.8 %	2.9 %
Average shares	11,209	11,202	0.1 %		
Net income per share	\$0.40	\$0.38	5.3 %		
Dividends per share	\$0.055	\$0.05	10.0 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
OCTOBER 29, 1995, OCTOBER 30, 1994 AND APRIL 30, 1995

(Unaudited, Amounts in Thousands)

	Amounts		Increase (Decrease)		* April 30, 1995
	October 29, 1995	October 30, 1994	Dollars	Percent	
Current assets					
Cash and cash investments	930	257	673	261.9 %	1,393
Accounts receivable	46,930	42,727	4,203	9.8 %	44,252
Inventories	49,632	42,504	7,128	16.8 %	45,771
Other current assets	3,415	2,510	905	36.1 %	3,194
Total current assets	100,907	87,998	12,909	14.7 %	94,610
Restricted investments	0	1,624	(1,624)	(100.0)%	795
Property, plant & equipment, net	73,876	68,848	5,028	7.3 %	75,805
Goodwill	23,189	18,725	4,464	23.8 %	22,600
Other assets	2,432	1,209	1,223	101.2 %	1,189
Total assets	200,404	178,404	22,000	12.3 %	194,999
Current Liabilities					
Current maturities of long-term debt	11,555	6,008	5,547	92.3 %	11,555
Accounts payable	30,175	28,685	1,490	5.2 %	32,250
Accrued expenses	11,075	8,688	2,387	27.5 %	11,532
Income taxes payable	1,729	1,653	76	4.6 %	661
Total current liabilities	54,534	45,034	9,500	21.1 %	55,998
Long-term debt	65,137	63,462	1,675	2.6 %	62,187
Deferred income taxes	5,382	3,477	1,905	54.8 %	5,418
Total liabilities	125,053	111,973	13,080	11.7 %	123,603
Shareholders' equity	75,351	66,431	8,920	13.4 %	71,396
Total liabilities and stockholders' equity	200,404	178,404	22,000	12.3 %	194,999
Shares outstanding	11,219	11,205	14	0.1 %	11,205

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 29, 1995 AND OCTOBER 30, 1994
(Unaudited, Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts	
	October 29, 1995	October 30, 1994
Cash flows from operating activities:		
Net income	4,515	4,250
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,138	5,340
Amortization of intangible assets	358	298
Provision for deferred income taxes	(36)	(272)
Changes in assets and liabilities:		
Accounts receivable	(2,678)	(5,984)
Inventories	(3,861)	(5,908)
Other current assets	(221)	(11)
Other assets	(1,309)	(470)
Accounts payable	(2,075)	(901)
Accrued expenses	(457)	530
Income taxes payable	1,068	1,017
Net cash provided by (used in) operating activities	1,442	(2,111)
Cash flows from investing activities:		
Capital expenditures	(5,090)	(10,184)
Purchases of restricted investments	0	(46)
Proceeds from sale of restricted investments	795	1,345
Business acquired	0	0
Net cash provided by (used in) investing activities	(4,295)	(8,885)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	6,000	8,000
Principal payments on long-term debt	(3,050)	(92)
Net increase (decrease) in bank overdrafts	0	1,120
Dividends paid	(617)	(560)
Proceeds from sale of common stock	57	92
Net cash provided by (used in) financing activities	2,390	8,560
Increase (decrease) in cash and cash investments	(463)	(2,436)
Cash and cash investments at beginning of period	1,393	2,693
Cash and cash investments at end of period	930	257

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, May 1, 1994	11,177,353	\$ 558	\$ 16,487	\$ 45,604	\$ 62,649
Cash dividends (\$.10 per share)				(1,120)	(1,120)
Net income				9,775	9,775
Common stock issued in connection with stock option plan	27,413	2	90		92
Balance, April 30, 1995	11,204,766	\$ 560	\$ 16,577	\$ 54,259	\$ 71,396
Cash dividends (\$.055 per share)				(617)	(617)
Net income				4,515	4,515
Common stock issued in connection with stock option plan	14,250	1	56		57
Balance, October 29, 1995	11,219,016	\$ 561	\$ 16,633	\$ 58,157	\$ 75,351

Culp, Inc.
 NOTES TO FINANCIAL STATEMENTS
 (unaudited)

1. Basis of Presentation

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

Certain amounts for fiscal year 1995 have been reclassified to conform with the fiscal year 1996 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 six months ended October 29, 1995 are not necessarily indicative of the results to be expected for the full year.

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2. Accounts Receivable

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

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

	October 29, 1995	April 30, 1995
Customers	\$ 46,767	\$ 44,014
Factors	1,029	1,314
Allowance for doubtful accounts	(513)	(739)
Reserve for returns and allowances	(353)	(337)
	\$ 46,930	\$ 44,252

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3. Inventories

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

A summary of inventories follows (dollars in thousands):

	October 29, 1995	April 30, 1995
Raw materials	\$ 30,714	\$ 25,385
Work-in-process	3,680	3,465
Finished goods	18,706	19,834
Total inventories valued at FIFO cost	53,100	48,684
Adjustments of certain inventories to the LIFO cost method	(3,468)	(2,913)
	\$ 49,632	\$ 45,771

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Culp, Inc.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

4. Accounts Payable:

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

	October 29, 1995	April 30, 1995
Bank overdraft	\$ -0-	\$ -0-
Accounts payable-trade	24,279	22,647
Accounts payable-capital expenditures	5,896	9,603
	\$ 30,175	\$ 32,250

5. Accrued Expenses

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

	October 29, 1995	April 30, 1995
Compensation and benefits	\$4,763	\$ 5,252
Acquisition costs	1,189	1,595
Other	5,123	4,685
	\$ 11,075	\$ 11,532

6. Long-term Debt

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

	October 29, 1995	April 30, 1995
Industrial Revenue Bonds	\$ 15,737	\$ 15,787
Revolving Credit Line	16,000	10,000
Term Loan	38,500	41,500
Subordinated note payable	1,000	1,000
Convertible note payable	5,455	5,455
	\$ 76,692	\$ 73,742
Less current maturities	(11,555)	(11,555)
	\$ 65,137	\$ 62,187

Culp, Inc.
 NOTES TO FINANCIAL STATEMENTS
 (unaudited)

The company has a loan agreement with two banks, which provides for a \$44,000,000 seven-year term loan and a \$33,500,000 revolving credit line. The revolving credit line has a six-year term, or can be terminated by either of the participating banks upon a thirteen-month notice to the company.

In connection with the purchase of Rayonese Textile Inc., the company issued a convertible note payable of \$5,455,000 bearing interest at 6.0%. The note is payable on March 6, 1998 or upon 45 days notice to the company by the holders starting on March 6, 1996 and is secured by the stock and assets of Rayonese. Due to the holders' 45-day notice provision, the convertible note is classified as a current maturity in the accompanying consolidated financial statements. At the option of the holder after March 6, 1996, the note is convertible into the company's common stock at a conversion price of \$12.50 per share. The note is not redeemable at the option of the company.

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

At October 29, 1995, the company had five interest rate swap agreements with two banks in order to reduce its exposure to floating interest rates on a portion of its variable rate borrowings.

The following table summarizes certain data regarding the interest rate swaps:

notional amount	interest rate	expiration date
\$ 3,300,000		
	6.4%	July 1996
900,000		
	7.6%	July 1996
15,000,000		
	7.3%	April 2000
5,000,000		
	6.9%	June 2002
5,000,000		
	6.6%	July 2002

The estimated amount at which the company could have terminated these agreements as of October 29, 1995 is approximately \$685,000. Net amounts paid under these agreements increased interest expense for the six months ended October 29, 1995 and October 30, 1994 by approximately \$79,000 and \$85,000, respectively. 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.

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7. Acquisition

On March 6, 1995, the company acquired Rayonese Textile Inc. (Rayonese), a manufacturer of home furnishings fabrics based near Montreal, Canada. The transaction has a preliminary estimated value of approximately \$10.5 million and included the purchase of 100% of the Rayonese common stock and the assumption of Rayonese's funded debt.

The acquisition was accounted for as a purchase, and accordingly, the purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the date of acquisition.

Culp, Inc.
NOTES TO FINANCIAL STATEMENTS
(unaudited)

The preliminary estimated fair values of assets and retained liabilities acquired are summarized below:

		March 6, 1995
Accounts receivable, net	\$	2,195
Inventories		1,878
Other current assets		39
Property, plant and equipment		3,965
Goodwill		5,034
Accounts payable and accrued expenses		(2,656)
	\$	10,455

8. Cash Flow Information

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

		1996		1995
Interest	\$	2,870	\$	2,071
Income taxes		1,582		1,533

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. The company does not engage in foreign currency speculation. Machinery and equipment and raw material purchases hedged by foreign exchange forward or option contracts are valued by using the exchange rate of the applicable foreign exchange forward or option contract. At October 29, 1995, the company had no foreign exchange forward or option contracts outstanding.

CULP, INC. FINANCIAL INFORMATION RELEASE
 SALES BY BUSINESS UNIT
 FOR THREE MONTHS AND SIX MONTHS ENDED OCTOBER 29, 1995
 AND OCTOBER 30, 1994

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Business Units	Amounts			Percent of Total Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
Upholstery Fabrics					
Flat Wovens					
Culp Textures	22,715	22,834	(0.5)%	25.1 %	29.1 %
Rossville/Chromatex	17,960	15,758	14.0 %	19.8 %	20.1 %
	40,675	38,592	5.4 %	44.9 %	49.2 %
Velvets/Prints	32,081	26,439	21.3 %	35.4 %	33.7 %
	72,756	65,031	11.9 %	80.2 %	82.9 %
Mattress Ticking	17,916 *	13,414	33.6 %	19.8 %	17.1 %
	90,672	78,445	15.6 %	100.0 %	100.0 %

SIX MONTHS ENDED (UNAUDITED)

Business Units	Amounts			Percent of Total Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
Upholstery Fabrics					
Flat Wovens					
Culp Textures	40,299	42,447	(5.1)%	24.7 %	29.3 %
Rossville/Chromatex	33,318	30,898	7.8	20.4 %	21.3
	73,617	73,345	0.4 %	45.2 %	50.7 %
Velvets/Prints	55,604	47,083	18.1 %	34.1 %	32.5 %
	129,221	120,428	7.3 %	79.3 %	83.2 %
Mattress Ticking	33,808 *	24,366	38.8 %	20.7 %	16.8 %
	163,029	144,794	12.6 %	100.0 %	100.0 %

* Includes Rayonese shipments of \$2,053 for the three months and \$3,822 for the six months. The percent increase in sales without Rayonese was 20.0% for the three months and 17.4% for the six months. On a consolidated basis, without Rayonese shipments, the percent sales increase for the three months was 13.0% and for the six months was 10.0%.

CULP, INC. FINANCIAL INFORMATION RELEASE
 EXPORT AND FOREIGN SALES BY GEOGRAPHIC AREA
 FOR THREE MONTHS AND SIX MONTHS ENDED OCTOBER 29, 1995
 AND OCTOBER 30, 1994

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
North America (Excluding USA)	6,223	4,184	48.7 %	31.8 %	28.7 %
Europe	4,297	3,892	10.4 %	22.0 %	26.7 %
Middle East	3,437	1,905	80.4 %	17.6 %	13.1 %
Far East & Asia	3,079	2,086	47.6 %	15.7 %	14.3 %
South America	397	876	(54.7)%	2.0 %	6.0 %
All other areas	2,127	1,652	28.8 %	10.9 %	11.3 %
	19,560 *	14,595	34.0 %	100.0 %	100.0 %

SIX MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	October 29, 1995	October 30, 1994	% Over (Under)	1996	1995
North America (Excluding USA)	10,790	7,793	38.5 %	31.7 %	30.3 %
Europe	7,482	6,890	8.6 %	22.0 %	26.8 %
Middle East	5,549	2,768	100.5 %	16.3 %	10.8 %
Far East & Asia	4,841	4,131	17.2 %	14.2 %	16.1 %
South America	843	1,184	(28.8)%	2.5 %	4.6 %
All other areas	4,499	2,938	53.1 %	13.2 %	11.4 %
	34,004 *	25,704	32.3 %	100.0 %	100.0 %

* Includes Rayonese shipments of \$2,053 for the three months and \$3,822 for the six months. The percent increase in sales without Rayonese was 20.0% for the three months and 17.4% for the six months.

Culp, Inc.
 SALES BY BUSINESS UNIT - TREND ANALYSIS
 1994 vs 1995 vs 1996

(Amounts in thousands)

Business Units	Fiscal 1994					Fiscal 1995					Fiscal 1996				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics															
Flat Wovens															
Culp Textures	17,444	20,073	19,673	21,127	78,317	19,613	22,834	20,940	21,738	85,125	17,584	22,715			40,299
Rossville/Chromatex	0	0	14,330	16,717	31,047	15,140	15,758	16,397	16,470	63,765	15,358	17,960			33,318
	17,444	20,073	34,003	37,844	109,364	34,753	38,592	37,337	38,208	148,890	32,942	40,675	0	0	73,617
Velvets/Prints	20,888	24,518	23,714	27,916	97,036	20,644	26,439	28,307	31,413	106,803	23,523	32,081			55,604
	38,332	44,591	57,717	65,760	206,400	55,397	65,031	65,644	69,621	255,693	56,465	72,756	0	0	129,221
Mattress Ticking	8,251	9,395	9,531	11,472	38,649	10,952	13,414	12,147	15,820	52,333	15,892	17,916			33,808
	46,583	53,986	67,248	77,232	245,049	66,349	78,445	77,791	85,441	308,026	72,357	90,672	0	0	163,029

Percent increase(decrease) from prior year:

Business Units															
Upholstery Fabrics															
Flat Wovens															
Culp Textures	(6.5)	(5.2)	3.8	0.3	(1.9)	12.4	13.8	6.4	2.9	8.7	(10.3)	(0.5)			(5.1)
Rossville/Chromatex	N/A	N/A	N/A	N/A	N/A	100.0	100.0	14.4	(1.5)	105.4	1.4	14.0			7.8
	(6.5)	(5.2)	79.4	79.7	37.0	99.2	92.3	9.8	1.0	36.1	(5.2)	5.4			0.4
Velvets/Prints	7.4	16.5	10.0	8.3	10.5	(1.2)	7.8	19.4	12.5	10.1	13.9	21.3			18.1
	0.6	5.7	42.5	40.4	23.1	44.5	45.8	13.7	5.9	23.9	1.9	11.9			7.3
Mattress Ticking	7.5	10.4	27.6	21.2	16.7	32.7	42.8	27.4	37.9	35.4	45.1	33.6			38.8
	1.7	6.4	40.2	37.2	22.0	42.4	45.3	15.7	10.6	25.7	9.1	15.6			12.6

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

Overview

For the three months ended October 29, 1995, net sales were \$90.7 million, up 16% from \$78.4 million in the year-earlier period. Net income for the quarter was \$3.0 million, or \$0.27 per share, compared with \$2.8 million, or \$0.25 per share, for the second quarter of fiscal 1995. Of the increase of \$12.3 million in sales, \$2.1 million was attributable to the contribution from Rayonese Textile, which was acquired during the fourth quarter of fiscal 1995 (see text below). The increase in sales, excluding that contribution, primarily reflected higher shipments of upholstery fabrics and mattress ticking to U.S.-based manufacturers and increased exports of upholstery fabrics. These same trends contributed to a gain in sales for the six months ended October 29, 1995 to \$163.0 million, up 13% from \$144.8 million in the first half of fiscal 1995. The company experienced a general slowing in demand from U.S.- based customers earlier in the year, but the pattern during the second quarter was more favorable. Although there remains some concern about the trend in consumer purchases of home furnishings over the next several quarters, the prevailing level of home mortgage rates appears to support a positive outlook for the industry. The current momentum in the company's incoming orders remains generally positive.

Rayonese Textile Inc. Acquisition

On March 6, 1995, the company completed the acquisition of Rayonese Textile Inc. The transaction has a preliminary estimated value of approximately \$10.5 million and includes the purchase of 100% of the Rayonese common stock and the assumption of Rayonese's funded debt. The acquisition is described in more detail elsewhere in this report and in the company's filing with the Securities and Exchange Commission on Form 8-K filed December 23, 1994. Also see footnote 7 to the Consolidated Financial Statements.

Analysis of Operations

The table below sets forth certain items in the Statements of Income as a percentage of net sales. Income taxes are expressed as a percentage of income before income taxes.

	Three Months Ended		Six Months Ended	
	October 29 1995	October 30 1994	October 29 1995	October 30 1994
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	82.2	81.9	82.6	82.5

Gross profit	17.8	18.1	17.4	17.5
Selling, general and administrative expenses	10.7	10.7	11.1	11.0

Income from operations	7.1	7.4	6.2	6.5
Interest expense	1.5	1.5	1.6	1.5
Interest income	0.0	0.0	0.0	0.0
Other expense (income), net	0.2	0.2	0.2	0.3

Income before income taxes	5.3	5.7	4.4	4.7
Income taxes (*)	37.8	37.8	37.0	37.5

Net Income	3.3%	3.6%	2.8%	2.9%
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(*) Calculated as a percent of income before income taxes

Three And Six Months Ended October 29, 1995 Compared With Three Months And Six Months Ended October 30, 1994

Sales by major business unit and export and foreign sales by geographic area for the three and six months are set forth in separate schedules on pages I-9 and I-10.

Sales of upholstery fabrics for the second quarter were up \$7.7 million (12%) from a year ago. Although sales of flat wovens increased somewhat for the second quarter, sales of these fabrics were essentially unchanged for the first half from a year ago. Sales of velvets/prints were up 21% for the second quarter, continuing the positive trend from earlier in the year. The gain in sales of mattress ticking for the second quarter primarily reflected higher shipments to existing accounts and to a lesser degree, a contribution of \$2.1 million from Rayonese Textile, which was acquired on March 6, 1995. However, the U. S. bedding and home textiles markets have softened significantly since early August. This retail weakness is resulting in a sharply slower rate of growth in our mattress ticking business unit, which includes Rayonese. The company believes this softness is temporary and that business conditions will turn more positive in early 1996. Exports and international sales, consisting primarily of upholstery fabrics, increased to \$19.6 million, up 34% from \$14.6 million in the year-earlier period and a gain of 36% from the \$14.4 million in the first quarter of fiscal 1996. Sales of Rayonese Textile are foreign sales and added to the increase on a year-to-year basis for the second quarter and first half. The base of the company's international customers is continuing to broaden, and, with the exception of South America, sales to each major geographic area were up through the first six months.

Gross profit decreased as a percentage of net sales for the second quarter and first half due principally to higher prices for raw materials, a trend which began during the second half of fiscal 1995. The company has been able to offset some of the higher costs through increased operating efficiency as well as by raising prices. During the second quarter, a 2% price increase became effective for most of the company's fabrics and mattress ticking.

Selling, general and administrative expenses rose slightly as a percentage of net sales for the first six months. Although the company is continuing to emphasize cost-containment programs, planned increases in expenses related to the design of new fabrics and to the company's marketing resources accounted for the higher ratio of expenses.

Net interest expense for the second quarter increased to \$1.4 million compared with \$1.1 million in the year-earlier period. The increase for the second quarter as well as the first half principally reflects the additional borrowings related to the acquisition of Rayonese Textile and, to a lesser degree, higher interest rates over the past year.

Other expense (income), net decreased for the first six months of fiscal 1996 due to a \$100,000 credit from the favorable settlement of an environmental matter with the former owner of one of the company's facilities.

The effective tax rate for the first six months declined to 37.0% compared to 37.5% last year. The lower tax rate for the first half was primarily due to a higher percentage of income being derived from international operations, which are taxed at a lower rate.

Liquidity and Capital Resources

The company continues to maintain a sound financial position. Funded long- and short-term debt increased to \$76.7 million at the close of the second quarter, up from \$72.9 million at the close of fiscal 1995. As a percentage of total capital (funded debt plus total shareholders' equity), the company's funded debt amounted to 50.4% as of October 29, 1995, down slightly from the end of fiscal 1995. The company's current ratio as of October 29, 1995 was 1.9 compared with 1.7 as of April 30, 1995. Shareholders' equity increased to \$75.4 million as of October 29, 1995, compared with \$71.4 million at the end of fiscal 1995.

The company typically generates the majority of its cash from operating activities during the second fiscal half. During the first six months of fiscal 1996, the cash flow from operations totaled \$1.4 million. Borrowings of \$6.0 million under a revolving credit agreement were used to fund operations during the first six months.

The company's borrowings are through financing arrangements with two banks which provide for a term loan of \$44.0 million and a revolving credit line of \$33.5 million. As of October 29, 1995, the company had \$17.5 million in borrowings available under the revolving credit agreement.

During the second quarter, the company's Board of Directors approved an increase in the capital expenditure budget for fiscal 1996 from \$11.0 million to \$15.5 million. The increase was due to the decision to accelerate two expansion projects originally planned for fiscal 1997. Capital spending during the first six months totaled \$5.1 million. The company believes that cash flows from operations and funds available under existing credit facilities

will be sufficient to fund capital expenditures as well as financing needs related to operations during the remainder of fiscal 1996.

Inflation

The company has experienced increases in raw material costs and the expense of other operating items. Although a price increase was implemented during the second quarter, competitive conditions have not allowed the company to fully offset these higher costs, a condition which has led to a slight decline in operating profit margins. The company believes inflationary pressure will impact profitability to a lesser degree during the remainder of fiscal 1996.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGE IN SECURITIES

None

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

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

The annual meeting of shareholders of the company was held in High Point, North Carolina on September 19, 1995. Of the 11,209,641 shares of common stock outstanding on the record date, 9,969,954 shares were present in person or by proxy.

At the annual meeting, shareholders voted on:

- a) ratifying the appointment of KPMG Peat Marwick LLP as the independent auditors of the company for the current fiscal year; and
- b) the election of three directors: Howard L. Dunn, Jr., Earl N. Phillips, Jr., and Bland W. Worley.

A. PROPOSAL TO RATIFY THE ELECTION OF KPMG PEAT MARWICK LLP AS INDEPENDENT AUDITORS OF THE COMPANY FOR FISCAL YEAR 1995.

For:	9,940,234
Against:	22,238
Abstain:	7,481
Broker Non-Votes:	0

B. PROPOSAL FOR ELECTION OF DIRECTORS:

Howard L. Dunn, Jr.		Bland W. Worley	
For:	9,758,798	For:	9,916,323
Authority Withheld:	211,156	Authority Withheld:	53,631
Broker Non Votes:	0	Broker Non Votes:	0

Earl N. Phillips, Jr.	
For:	9,702,916
Authority Withheld:	267,038
Broker Non Votes:	0

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) The following exhibits are filed as part of this report or incorporated by reference herein.
- 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 and related Letter of Credit and Reimbursement Agreement dated December 1, 1988 with First Union National Bank of North Carolina were filed as Exhibit 10(n) to the company's Form 10-K for the year ended April 29, 1989, and are incorporated herein by reference.
- 10(b) Loan Agreement dated November 1, 1988 with the Alamance County Industrial Facilities and Pollution Control Financing Authority relating to Series A and B Industrial Revenue Refunding Bonds in the principal amount of \$7,900,000, and related Letter of Credit and Reimbursement Agreement dated November 1, 1988 with First Union National Bank of North Carolina were filed as exhibit 10(o) to the company's Form 10-K for the year ended April 29, 1990, and are incorporated herein by reference.
- 10(c) Loan Agreement dated January 5, 1990 with the with the Guilford County Industrial Facilities and Pollution Control Financing Authority, North Carolina, relating to Series 1989 Industrial Revenue Bonds in the principal amount of

\$4,500,000, and related Letter of Credit and Reimbursement Agreement dated January 5, 1990 with First Union National Bank of North Carolina was filed as Exhibit 10(d) to the company's Form 10-K for the year ended April 19, 1990, filed on July 15, 1990, and is incorporated herein by reference.

- 10(d) Loan Agreement dated as of December 1, 1993 between Anderson County, South Carolina and the company relating to \$6,580,000 Anderson County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993, and related Letter of Credit and Reimbursement Agreement dated as of December 1, 1993 by and between the company and First Union National Bank of North Carolina were filed as Exhibit 10(o) to the Company's Form 10-Q for the quarter ended January 30, 1994, filed March 16, 1994, and is incorporated herein by reference.
- 10(e) Severance Protection Agreement, dated September 21, 1989, was filed as Exhibit 10(f) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25 1990, and is incorporated herein by reference.
- 10(f) Lease Agreement, dated January 19, 1990, with Phillips Interests, Inc. was filed as Exhibit 10(g) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference.
- 10(g) 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(h) Amendment and Restatement of the Employees's Retirement Builder Plan of the company dated May 1, 1981 with amendments dated January 1, 1990 and January 8, 1990 were filed as Exhibit 10(p) to the company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference.
- 10(i) 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(j) 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(k) First Amendment to Loan Agreement dated as of December 1, 1993 by and between The Guilford County Industrial Facilities and Pollution Control Financing Authority and the company, and related Reimbursement and Security Agreement dated as of December 1, 1993 between the company and Wachovia Bank of North Carolina, National Association was filed as Exhibit 10(p) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(l) First Amendment to Loan Agreement dated as of December 16, 1993 by and between The Alamance County Industrial Facilities and Pollution Control Financing Authority and the company, and related First Amendment to Letter of Credit and Reimbursement Agreement dated as of December 16, 1993 between First Union National Bank of North Carolina and the company was filed as Exhibit 10(q) to the company's Form 10-Q filed, filed on March 15, 1994, and is incorporated herein by reference.
- 10(m) First Amendment to Loan Agreement dated as of December 16, 1993 by and between Chesterfield County, South Carolina and the company, and related First Amendment to Letter of Credit and Reimbursement Agreement dated as of December 16, 1993 by and between First Union National Bank of North Carolina and the company was filed as Exhibit 10(r) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(n) Interest Rate Swap Agreements between company and NationsBank of Georgia (formerly The Citizens and Southern National Bank) dated July 14, 1989 were filed as Exhibit 10(t) to the company's Form 10-K, filed on July 27, 1994, and are incorporated herein by reference.
- 10(o) 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(p) 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(q) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina dated April 17, 1995, was filed as Exhibit 10(aa) to the company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference.
- 10(r) Performance-Based Stock Option Plan, dated June 21, 1994, was filed as Exhibit 10(bb) to the company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference.
- 10(s) 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(t) 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(u) 1995 Amended and Restated Credit Agreement by and among Culp, Inc., First Union National Bank of North Carolina and Wachovia Bank of North Carolina, N.A., dated July 1, 1995 was filed as exhibit 10(y) 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) Copy of Second Amendment of Lease Agreement dated June 15, 1994 with Partnership 74 Associates.
- 10(w) Copy of Lease Agreement dated November 1, 1993 by and between the company and Chromatex, Inc.
- 10(x) Copy of Lease Agreement dated November 1, 1993 by and between the company and Chromatex Properties, Inc.

- 10(y) Copy of Amendment to Lease Agreement dated May 1, 1994 by and between the company and Chromatex Properties, Inc.
- 10(z) Copy of Canada-Quebec Subsidiary Agreement on Industrial Development (1991), dated January 4, 1995.
- 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 11, 1995, 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 July 30, 1995.

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: December 12, 1995

By: s/s

Franklin N. Saxon

Franklin N. Saxon
Vice President and
Chief Financial Officer

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

Date: December 12, 1995

By: s/s

Stephen T. Hancock

Stephen T. Hancock
General Accounting Manager

(Chief Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit Article
10(v)	Second Amendment of Lease Agreement dated June 15, 1994 with Partnership 74 Associates
10(w)	Lease Agreement dated November 1, 1993 by and between the company and Chromatex, Inc.
10(x)	Lease Agreement dated November 1, 1993 by and between the company and Chromatex Properties, Inc.
10(y)	Amendment to Lease Agreement dated May 1, 1994 by and between the company and Chromatex Properties, Inc.
10(z)	Canada-Quebec Subsidiary Agreement on Industrial Development (1991), dated January 4, 1995.

THIS SECOND AMENDED MEMORANDUM OF LEASE is executed this 15th day of June, 1994, under the pursuant to the terms and provisions of North Carolina General Statute ss.47-117 ff. between PARTNERSHIP 74 ASSOCIATES, a North Carolina general partnership (the "Landlord") and CULP, INC. (the "Tenant").

WITNESSETH:

WHEREAS, the Landlord and Tenant are parties to a lease agreement dated September 6, 1988, (the "Lease") a Memorandum of which is recorded in Book 555, Page 528, Alamance County Registry and an amendment which is recorded in Book 781, Page 488, Alamance County Registry; and

WHEREAS, the Landlord and Tenant have entered into a First Amendment to Lease dated July 27, 1992 and a Second Amendment to Lease dated June 15, 1994, which amends certain provisions of the lease:

THEREFORE, the parties amend the Memorandum of Lease as follows:

1. The term of the Lease, including extensions and renewals, continues until September 30, 2011.
2. The provisions set forth in the written lease agreement between the parties dated September 6, 1988, as amended on July 27, 1992 and as amended on June 15, 1994, are hereby incorporated by reference in this Second Amended Memorandum of Lease.

LANDLORD:

PARTNERSHIP 74 ASSOCIATES, a North Carolina
general partnership

By: Robert G. Culp, III (SEAL)
Robert G. Culp, III
Managing General Partner

TENANT:

CULP, INC.
By: Franklin N. Saxon (SEAL)
Franklin N. Saxon
Vice President

LEASE AGREEMENT

THIS INDENTURE OF LEASE, made and entered into by and between CHROMATEX, INC., a corporation organized and existing under the laws of the State of New Jersey (hereinafter referred to as the "Lessor"), and CULP, INC., a corporation organized and existing under the laws of the State of North Carolina (hereinafter referred to as the "Lessee").

W I T N E S S E T H:

THAT FOR AND IN CONSIDERATION of the payment of the rent and mutual covenants herein contained, Lessor does hereby lease, demise, and let unto Lessee and Lessee does hereby hire and take from Lessor the real property described on the attached Exhibit A, located in Luzerne County, Pennsylvania.

The property described on the attached Exhibit A is herein referred to as the "Premises."

1. TERM AND OPTION TO RENEW. The term of this lease shall be for a period of three (3) years, commencing on November 1, 1993 and terminating on October 31, 1996 at 12:00 P.M.

Lessee shall have options to extend this lease for four (4) additional terms of three (3) years each, which options must be exercised by Lessee in writing at least six (6) months prior to the expiration of the term preceding the term for which the option is being exercised. Notice of exercise of an option shall be effective when received or when deposited in the United States Mail, postage prepaid, correctly addressed and sent certified, return receipt requested. If Lessee exercises the first three (3) year option, the rent payable and the other terms of the lease shall be the same as during the initial term of the lease.

If the option to exercise the Lease for the second three (3) year period beginning six (6) years from the date of this Lease is exercised, the rent beginning on the date which is six (6) years after the date of this Lease (the "First Adjustment Date"), shall be increased in a proportion reflecting the total increase in the Consumer Price Index for the preceding six-year period, which increase shall be calculated as follows: multiply the initial

rental rate by a fraction, the numerator of which is the Consumer Price Index, United States -- All Items for All Urban Consumers for November 1, 1999 and the denominator of which is such index figure on the same basis for November 1, 1993.

If the Lessee exercises its option for the third three (3) year option period beginning nine (9) years from the date of this Lease, the rent payable for such three (3) year period beginning on the date which is nine (9) years from the date of this Lease (the "Second Adjustment Date"), and effective for the succeeding three (3) year period, shall be increased in a proportion reflecting the total increase in the Consumer Price Index for the preceding three-year period, which increase shall be calculated as follows: multiply the rental rate beginning on the First Adjustment Date by a fraction, the numerator of which is the Consumer Price Index, United States -- All Items for All Urban Consumers for November 1, 2002 and the denominator of which is such index figure on the same basis for November 1, 1999.

If the Lessee exercises its option for the fourth three (3) year option period beginning 12 years from the date of this lease, the rent payable for such three year period beginning on the date which is twelve (12) years from the date of this lease (the "third adjustment date"), and effective for the succeeding three (3) year period, shall be increased in the proportion reflecting the total increase in the Consumer's Price Index for the preceding three (3) year period, which increase shall be calculated as follows: multiply the rental rate beginning on the Second Adjustment Date by a fraction, the numerator of which is the Consumer's Price Index, United States--all items for all urban consumers for November 1, 2005 and the denominator of which is such index figure on the same basis for November 1, 2002.

2. RENT. Lessee shall pay rent of Twelve Thousand Five Hundred Dollars (\$12,500.00) a month to Lessor for the term of this lease. The first installment of rent shall be paid on the commencement date hereof, and shall be payable on the 1st day of each month during the term of this lease.

3. QUIET POSSESSION. Lessor warrants and covenants that it has full legal rights to lease the Premises and that Lessee, on payment of the rent herein provided and performing the covenants and conditions herein contained, shall have quiet and peaceful possession of the Premises during the lease term and any renewals or extensions thereof.

4. CONDITIONS OF PREMISES. Lessee hereby acknowledges that it has inspected and is acquainted with the Premises and hereby accepts the same in their present condition.

5. REPAIR. Lessor shall keep the roof, outside walls and foundations of the building on the Premises in a good state of repair at its expense, except for damage caused by Lessee; provided, however, Lessor shall have no liability whatsoever for any failure or delay in making repairs if such failure or delay is due in whole or in part to any cause beyond its reasonable control, unless it is guilty of gross negligence or willful misconduct. Should Lessor fail to make any such repair, Lessee may, at its election, but shall not be obligated so to do, by giving Lessor not less than 30 days notice in writing of its intent so to do, make such repairs, provided the cost thereof does not exceed the lesser of \$15,000 or the amount of rent payable during the remainder of the term hereof; and any amounts paid by Lessee for such purposes shall be deemed an advance payment of the monthly installment or installments of rent next becoming due and shall offset the same. Lessee shall, at its expense, keep all other aspects of the premises, heating and air conditioning in a reasonably good state of repair and agrees that it will quit and peaceably surrender the Premises, heating and air conditioning to Lessor in a good and substantial state of repair upon termination hereof, whether by lapse of time or otherwise, normal wear and tear and damage by fire or other casualty excepted.

6. REMODELING. Lessee shall not make any improvements, remodeling, alterations or structural changes to the Premises without the written consent of Lessor, which consent shall not be unreasonably withheld.

7. INSURANCE. Lessee, at its expense, shall carry such fire and casualty insurance on the Premises in amounts as is necessary to provide full replacement and cost coverage and from companies licensed in Pennsylvania. Lessor and Lessee further mutually agree to waive any and all claims which one may have against the other for any losses paid to them under a policy or policies insuring the Premises or its contents and will obtain waivers of subrogation from their respective insurers. Lessor shall be named as an additional insured on such policy or policies. The above policy may be furnished by Lessee under any blanket policy carried by Lessee or by separate policy. Lessee shall prior to the beginning of the term of this lease, provide Lessor with evidence that such insurance is in effect. The evidence of insurance provided by Lessor to Lessee shall contain a provision that such insurance shall not be canceled without at least ten (10) days prior written notice being furnished by the insurer to Lessor. Lessee shall also carry, at its own expense, such insurance on the contents of the building as Lessee deems necessary.

8. LIABILITY INSURANCE. Lessee agrees, at its own expense, to carry comprehensive General Liability Insurance in an amount not less than \$1,000,000.00 for injuries to any one person, not less than \$2,000,000.00 for injuries to more than one person, and \$1,000,000.00 for property damage arising out of any one occurrence issued by a company licensed in Pennsylvania and to have Lessor named as an additional insured on such policy or policies. Lessee shall, prior to the beginning of the term of this lease, provide Lessor with proof that such insurance is in effect. The evidence of insurance provided by Lessor to Lessee shall contain a provision that such insurance shall not be canceled without at least ten (10) days prior written notice being furnished by the insurer to Lessor. Lessee hereby assumes all risk and liability which, but for this paragraph, might be imposed upon Lessor for loss of life or injury to persons or property as the result of Lessor's interest in the Premises, the terms of this lease, for the manifest condition of the Premises, or from the maintenance,

repair, lack of maintenance, lack of repair, alteration, remodeling or construction on the Premises, and agrees to indemnify and save harmless Lessor from such liability. Notwithstanding the foregoing, Lessee shall not be liable for nor indemnify nor save Lessor harmless from liability for the acts or omissions of Lessor or its agents, contractors or employees, and Lessor shall indemnify and save Lessee harmless from such liability. Lessee shall keep such other insurance, including fire and other property insurance on its equipment and inventory, as it may deem necessary.

9. INDEMNIFICATION OF LESSOR. Lessee will indemnify Lessor and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or property damage arising out of any occurrence in, upon or at the leased Premises; or the occupancy or use by Lessee of the leased Premises or any part thereof or occasioned wholly or in part by any act or omission of Lessee, its agents, contractors, licensees, invitees, employees or servants. Notwithstanding the foregoing, Lessee shall not be liable for nor indemnify nor save Lessor harmless from liability for the acts or omissions of Lessor or its agents, contractors or employees, and Lessor shall indemnify and save Lessee harmless from such liability. The parties mutually agree that this paragraph shall not grant an insurer the right of subrogation waived as required by Paragraph 7 hereof.

10. EQUIPMENT REMOVAL. Lessee shall have the right to install, own, and maintain any fixtures, furniture, equipment or other personal property on the Premises which it deems necessary to use in the operation of its business, and Lessor agrees that upon expiration of this lease, Lessee may remove the same provided such removal can be effected without damage to the Premises or any damage to the Premises by such removal is repaired by Lessee at its expense.

11. UTILITIES. All utilities shall be furnished and paid for by Lessee.

12. USE OF PREMISES. Lessor agrees that Lessee may use the Premises for any lawful purpose. Lessee agrees that it will not occupy or use the Premises nor permit the same to be used or occupied for any business that is unlawful, and that it will comply with and abide by all lawful requirements of Municipal, State, and Federal authorities respecting the manner in which it uses the Premises.

13. ASSIGNMENT AND SUBLETTING. Lessee shall have the right to sublet any or all of the Premises, however the subletting of any space shall not relieve Lessee from its obligations hereunder.

14. EVENTS OF DEFAULT. Each of the following shall be an event of default hereunder:

a. Default in the payment of rent or other payments due hereunder which default continues for a period of ten (10) days after receipt of written notice of such default by Lessee;

b. If Lessee shall fail to perform or observe any other covenant or condition of this lease to be performed or observed by Lessee, and such failure continues for a period of thirty (30) days after receipt of written notice thereof by Lessee; provided that, if such default cannot be cured in thirty (30) days, Lessee shall not be in default if Lessee commences cure in such period and thereafter pursues the same diligently to completion;

c. If Lessee abandons or vacates the Premises;

d. If Lessee should make an assignment for the benefit of creditors;

e. Provided Lessee does not contest or unsuccessfully contest the same, the filing, execution or occurrence of:

i. a petition in bankruptcy by or against Lessee

ii. a petition or answer seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the Bankruptcy Act;

iii. adjudication of Lessee as a bankrupt or insolvent;

iv. a petition or other proceeding by or against Lessee for, or the appointment of, a trustee receiver, guardian, conservator or liquidator of Lessee with respect to all or a substantial part of its property or the leased Premises;

v. a petition or other proceeding by or against Lessee for its dissolution or liquidation, or the taking or possession of the property of Lessee by any governmental authority in connection with the dissolution or liquidation of Lessee other than as a result of a tax-free reorganization as said term is defined by the Internal Revenue Code; or

vi. the taking by any person, firm, or corporation of the leasehold created hereby or any part thereof by execution, attachment or other process of law or equity except as otherwise provided herein.

15. REMEDIES ON DEFAULT. Upon an occurrence of an event of default, Lessor may, at its election, in addition to any other remedy or right provided herein or by law, immediately or at any time after the occurrence of any event of default, and without notice or demand but with such due process of law as is required, enter upon the Premises or any part thereof and upon such entry this lease shall terminate; provided however, no such entry, resumption or possession, termination, or any reletting of the Premises shall be deemed to be an acceptance or surrender of this lease or a waiver of the rights of Lessor hereunder unless Lessor so elects. Acceptance of payment of rentals by Lessor after such entry or termination shall not be considered a confirmation or renewal of this lease.

16. RELETTING. Upon termination of this lease as above provided, Lessor shall use reasonable efforts to relet the Premises. Lessor shall be deemed to have used reasonable efforts if it leases the whole or any part of the premises, separately or with other premises for any period equal to or less than, or extending beyond, the remainder of the original term; for any

commercially reasonable sum or to any tenant or for any use it reasonably deems satisfactory or appropriate, and refusal to let to any use not expressly permitted under any paragraph or section of this lease shall not be, deemed to be an unreasonable act on behalf of Lessor. Any rentals collected by Lessor upon such reletting shall first be applied to the reasonable expenses incurred by Lessor in such reletting (not including costs of refitting or new construction) and then to offset the liability of Lessee hereunder; provided, however, Lessor shall be entitled to retain without liability to Lessee any sums in excess of the liability of Lessee to Lessor.

17. EMINENT DOMAIN. The parties mutually agree that in the event the whole or any part of the Premises shall be taken for any public or quasi-public use under any statute, or by right of eminent domain, or by private purchase and conveyance in lieu thereof, or in connection therewith, any compensation shall be paid to Lessor and Lessee separately, as their respective interests and rights are established, and in the event Lessee determines that the leased property remaining after such taking or conveyance is insufficient to continue its business, this agreement shall terminate at the exclusive judgment and determination of Lessee. Lessor agrees that if Lessee elects to continue this agreement after such a partial taking or conveyance, Lessor shall repair and restore the premises as nearly as possible to the condition that existed prior to such taking and a pro rata abatement of rent for the balance of the term of this agreement shall be effective as of the date of such taking. The parties further mutually agree that in the event of a substantial taking during the last six (6) months of the term hereof, Lessor shall have no obligation to restore unless Lessee has exercised any remaining extension option and has waived its right to terminate hereunder, and in any event, Lessor shall not be required to expend an amount for the restoration which is greater than the compensation award it receives.

18. HOLDOVER TENANCY. In the event Lessee continues to occupy the Premises upon termination hereof, whether by lapse of time or otherwise, such tenancy shall be deemed to be a tenancy from month to month and either party may terminate the same by giving the other thirty (30) days written notice of termination.

19. NOTICE. All notices or communications required or permitted to be given hereunder shall be in writing and shall be mailed or delivered to the respective addresses set forth below, or to such other address as may be designated in writing by the party to receive such notice.

To Lessor as follows:

Mr. Ronald W. Satterfield
Chromatex, Inc.
P. O. Box 40
Rossville, Georgia 30741

With a copy to:

John C. Mooney, Esquire
Heiskell, Donelson, Bearman, Adams,
Williams & Caldwell, P.C.
1800 Republic Centre
Chattanooga, Tennessee 37450-1800

To Lessee as follows:

Mr. Frank Saxon
P. O. Box 2686
101 South Main Street
High Point, North Carolina 27261

With a copy to:

Hank Ralston, Esquire
Robinson, Bradshaw & Hinson, P.A.
1900 Independence Center
101 North Tryon Street
Charlotte, North Carolina 28246

20. SEPARABILITY. The parties mutually agree that each and every covenant and agreement contained in this agreement shall for all purposes be construed to be a separate and independent covenant and agreement, and a breach of any covenant or agreement herein by either party shall in no way or manner discharge or relieve the other party from its obligation to perform each and every covenant and agreement herein. The parties further mutually agree that if any provision hereof or any remedy herein provided for shall be invalid under any applicable law, such provision shall be inapplicable and deemed omitted but the remaining provisions

hereof, in accordance with the manifest intent hereof shall be valid and enforceable to the fullest extent permitted by law.

21. WAIVER. Either party may, in its discretion, from time to time in writing, signed by the party to be charged grant indulgences, extensions, dispensations or other privileges to the other with respect to any requirement or provision of this agreement, but no such indulgence, extension, dispensation, waiver or omission of either party shall, or shall be construed to have affected any implied amendment hereto or to have established a custom or practice binding such party or to be a waiver of any requirement or provision in the future or an acquiescence to any future default, nor prevent the strict enforcement of any provision hereto at any other time.

22. INSPECTION. Lessor or Lessor's agents shall have the right to enter upon the Premises at all reasonable times to examine the same; provided, however, such examination and inspection of the Premises shall be done in a manner which will not interfere with the business of Lessee and, except in emergencies, shall be allowed only after reasonable advance notice and only during regular business hours. During the last ninety (90) days of the term of this agreement, Lessor shall be permitted to affix a "For Lease" or "For Sale" sign on the Premises and to show the same to prospective purchasers or tenants provided such placing and showing shall not interfere with the business of Lessee.

23. ENTIRE AGREEMENT. This lease contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, shall be of any force or effect.

24. APPLICABLE LAW. It is mutually agreed that this agreement shall be construed in accordance with the laws of the State of Pennsylvania.

25. CAPTIONS. The captions are inserted herein only as a convenience and for reference and in no way define, limit, or describe the scope of this agreement nor the intent of any provisions hereof.

26. TAXES. Lessee shall pay all real property taxes on the Premises. For the first year of the Lease, Lessee shall pay only the portion of the taxes for 1993 for November and December of 1993 and the balance of 1993 property taxes shall be paid by Lessor. The amount payable for such taxes for 1993 shall be payable by Lessee to Lessor and Lessor shall pay the taxing authorities for 1993 taxes prior to delinquency. Such taxes for 1993 shall be paid by Lessee to Lessor on or before December 15, 1993. The amount payable for taxes for all of the years of the leases which shall include the option period if the lease is extended shall be paid by Lessee to Lessor by December 15th of each year except that the taxes payable by Lessee for the last year of the lease which shall be property taxes for ten (10) months of such year shall be paid on or before the last date of the lease, and Lessor shall pay the taxing authority for the taxes prior to delinquency.

27. SUCCESSORS AND ASSIGNS. The covenants, stipulations, agreements, and conditions herein shall inure to the benefit of and shall be binding upon the successors and assigns of the respective parties hereto, subject to all the terms, conditions and contingencies herein set forth. Provided, however, that this lease cannot be assigned by Lessee without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Furthermore, in the event of an assignment, Lessee shall continue to be liable pursuant to the terms of this lease.

28. DAMAGES TO PREMISES. If all or a portion of the Premises are rendered untenable or damaged by any casualty, the damage shall be repaired forthwith by and at the expense of Lessor. Except as set forth herein below, until such repairs are completed, the rent shall be abated in proportion to the part of the Premises which is unusable by Tenant in the conduct of business.

No damages, compensation or claims shall be payable by Lessor for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises. Lessor shall use its best efforts to effect such repair or

restoration promptly and in such a manner as to not unreasonably interfere with Lessor's use and occupancy.

A total destruction of the Premises in the last two (2) years of the lease term shall automatically terminate this Lease Agreement unless Lessee exercises at least one (1) remaining extension option within sixty (60) days after such destruction.

Lessor shall not be required to expend more for the restoration of the damage to the premises than the amount of insured proceeds received by Lessor.

Lessor shall not be obligated to repair any damage to any portion of Lessee's personal property located on the Premises.

29. OFF-SET STATEMENTS AND MORTGAGE SUBORDINATION.

Within fifteen (15) days after a request therefor by either party, or in the event that upon any sale, assignment or hypothecation of the Premises by Lessor or Lessee an off-set statement shall be required from the other party, said party agrees to deliver a certificate to any proposed mortgagee, purchaser or assignee, or to Lessor or Lessee, certifying (if such be the case) that this Lease is in full force and effect and that there are no defenses or off-sets thereto, or stating those claimed by Lessee or Lessor.

Lessee shall, upon the request of the Lessor, in writing, subordinate this Lease and the lien hereof from time to time to the lien of any future mortgage to a bank, insurance company or similar financial institution, irrespective of time of execution or time of recording of such mortgage or mortgages, provided the holder of such mortgage shall enter into an agreement with Tenant, in recordable form, which, in substance, shall provide that, in the event of foreclosure or other right asserted under the mortgage by the holder or assignee thereof, this Lease and the right of Lessee hereunder shall continue in full force and effect and shall not be terminated or disturbed except in accordance with the provision of this Lease. Such mortgage holder shall further agree to make casualty insurance proceeds available for restoration, as required hereunder. Lessee shall, if requested by the holder of any such mortgage, be a party to said agreement, and shall agree in

substance that if the mortgagee or other person claiming under such mortgage shall succeed to the interest of Lessor, Lessee shall recognize and attorn to such mortgagee or person as its Landlord under the terms of this Lease. Lessee agrees that Lessee shall, upon the request of Lessor, execute, acknowledge and deliver any and all instruments necessary to effectuate, or to give notice of such subordination. The word "mortgage" as used herein includes mortgages, deeds of trust, similar instruments and modifications, consolidations, extensions, renewals, replacements or substitutions therefor.

30. HAZARDOUS MATERIAL. With respect to any Hazardous Materials which Lessee, its agent or, employees, may use, handle, store or generate in the conduct of Lessee's business at the Demised Premises, Lessee covenants and agrees that:

a. it will comply with all applicable Environmental Laws which relate to the treatment, storage, transportation and handling of Hazardous Materials.

b. it will in no event permit or cause any disposal of any Hazardous Materials in, on or about the Demised Premises and in particular will not deposit any Hazardous Materials in, on or about the floor of the Building or in any drainage system or in the trash containers which are customarily used for the disposal of solid waste;

c. with respect to any off-site disposal, shipment, storage, recycling or transportation of any Hazardous Materials, it will properly package the Hazardous Materials and shall cause to be executed, duly filed and retained all records required by applicable Environmental Laws;

d. it will at all reasonable times after prior written notice during reasonable hours, permit Lessor or its agents or employees to enter the Demised Premises to inspect the same for compliance with the terms of this Section; and

e. upon the termination of this Lease, it will, at its expense, remove all Hazardous Materials from the Demised

Premises which were placed on the Demised Premises by Lessee and otherwise comply with all applicable Environmental Laws.

In the event that Lessee fails to comply with any of the provisions contained in this Section, Lessee agrees to hold harmless and indemnify Lessee from and against any and all claims, loss, costs, damages and expenses, including reasonable attorneys' fees, which may arise in connection therewith. The obligations of Lessee under the terms of the previous sentence shall not be effective, however, in the event that any such non-compliance results from, or to the extent such non-compliance is attributable to, the acts, omissions or negligence of Lessor or Lessor's agents, employees or contractors. The terms of this Section shall expressly survive the expiration or earlier termination of this Lease.

"Environmental Laws" means any and all federal, state, local or municipal environmental, land use, zoning, health, chemical use, safety and sanitation laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any governmental authority regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Material, as not or may at any time hereafter be in effect relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Materials, including, without limitation, the Clean Water Act (also known as the Federal Water Pollution Control Act) ("FWPCA"), 33 U.S.C. Section 1251 et seq., the Toxic Substances Control Act ("TSCA"), 15 U.S.C. Section 2601 et seq., the Clean Air Act ("C"), 42 U.S.C. Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), 7 U.S.C. Section 136 et seq., the Safe Drinking Water Act ("SDWA"), 42 U.S.C. Section 300f et seq., the Surface Mining Control and Reclamation Act ("SMCRA"), 30 U.S.C. Section 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 et seq., the Superfund Amendment and Reauthorization Act of 1986 ("SARA"),

Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right to Know Act ("EPCA"), 42 U.S.C. Section 1101 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq., the Occupational Safety and Health Act as amended ("OSHA") 29 U.S.C. Sections 655 and 657, any other Environmental Law together with amendments thereto, regulations promulgated thereunder and all substitutions thereof, rules, regulations, policies, guidelines, interpretations, decisions and directives of federal, state and local governmental agencies and authorities with respect thereto.

"Hazardous Material" means, without limitation, any flammables, explosives, radioactive materials, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as defined in CERCLA, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the RCRA, the TSCA, or any other Environmental Law or the regulations promulgated thereunder and substitutions thereof as are now or hereafter in effect. Such term also means any other waste, substance or material that exhibits any of the characteristics enumerated in 40 C.f.R. Sections 261.20-261.24, inclusive, and those extremely hazardous substances listed under Section 302 of SARA that are present in threshold planning or reportable quantities as defined under SARA and toxic or hazardous chemical substances that are present in quantities that exceed exposure standards as those terms are defined under Sections 6 and/or 8 of OSHA, Radon and any asbestos or asbestos-containing substances whether or not the same are defined as hazardous, toxic, dangerous waste, a dangerous substances or dangerous material or gas in any Environmental Law.

31. ATTORNEYS' FEES. If any party to this Lease Agreement must engage the services of an attorney to enforce the provisions of this Agreement, the attorneys' fees of the prevailing party shall be paid by the non-prevailing party.

IN TESTIMONY WHEREOF, the Lessor and Lessee have executed this Lease Agreement on this the 1st day of November, 1993.

CHROMATEX, INC.

By: (Signature of Ronald W. Satterfield)
LESSOR

CULP, INC.

By: (Signature of Franklin M. Saxon)
VP & CFO LESSEE

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

Before me, Kimberly A. Langstaff, a Notary Public in and for the State and County aforesaid, personally appeared Ronald W. Satterfield, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Executive Vice President of Chromatex, Inc., the within named bargainor, a corporation, and that he as such Executive Vice President, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such Executive Vice President.

WITNESS my hand and seal at office, on this the 1st day of November, 1993.

Kimberly A. Langstaff
Notary Public

My Commission Expires: 11/5/97

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

Before me, Kimberly A. Langstaff, a Notary Public in and for the State and County aforesaid, personally appeared Franklin N. Saxon, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Vice President & CFO of Culp, Inc., the within named bargainor, a corporation, and that he as such Vice President & CFO, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such Vice President & CFO.

WITNESS my hand and seal at office, on this the 1st day of November, 1993.

Kimberly A. Langstaff
Notary Public

My Commission Expires: 11/5/97

EXHIBIT A

LEGAL DESCRIPTION

All those pieces or parcels of land located in Valmont Industrial Park, Hazle Township, Luzerne County, Commonwealth of Pennsylvania, bounded and described as follows, to wit:

PARCEL ONE

BEGINNING at a point in the eastern side of a sixty (60') wide road, known as Jaycee Drive, said point being the following three (3) courses and distances from the set stone marking the northwest corner of Mary Kunkle Tract: (1) South Eighty-Four degrees One minute West (S. 84- 01'W) Two Hundred Sixty-Four and Three-Hundredths (264.03) feet; (2) South Thirty-Six degrees Fifteen minutes West (S. 36-15'W) Seven Hundred Eighteen and Twenty-Four Hundredths (718.24') feet; (3) South Fifty-Three degrees Forty-Five minutes East (S. 53-45'E) Thirty (30') feet to the place of BEGINNING.

THENCE South Fifty-Three degrees Forty-Five minutes East (S. 53-45'E) through and along a north line of lands, now or late of Greater Hazleton Community-Area New Development Organization, Inc. Four Hundred Seventy-Five (475') feet to a corner of lands, now or late of Greater Hazleton Community-Area New Development Organization, Inc.;

THENCE South Thirty Six degrees Fifteen minutes West (S.36- 15'W) along line between lands, now or late of Greater Hazleton Community-Area New Development Organization, Inc. and Oakmount, Inc. formerly the Valmont Golf Association, Inc. Five Hundred Fifty (550') feet to a common corner between lands, now or late of Greater Hazleton Community-Area New Development Organization, Inc. and said Oakmount, Inc., formerly the Valmont Golf Association, Inc.;

THENCE North Fifty-Three degrees Forty-Five minutes West (N. 53 45'W) through lands, now or late of Greater Hazleton Community-Area New Development Organization, Inc. and line dividing Site 26 and 27, Four Hundred Seventy-Five (475') feet to the East side of above mentioned Sixty (60') foot wide road, known as Jaycee Drive;

THENCE North Thirty-Six degrees Fifteen minutes East (N. 36-15'E) along east side of said Sixty (60') foot wide road, known as Jaycee Drive Five Hundred Fifty (550') feet to the place of BEGINNING.

CONTAINING Six (6) acres more or less excepting therefrom a right-of-way granted to the Hazleton City Authority on July 14, 1964 for a 12" water transmission line across the northerly portion

of the above described parcel of land. The aforesaid right-of-way is more particularly set forth in a Grant of Easement dated the 14th day of July, 1964, between the Greater Hazleton Community-area New Development Organization, Inc. and the Hazleton City Authority, which Grant of Easement is recorded in the Recorder of Deeds Office in and for Luzerne County in Deed Book 1549, Page 814, and which Grant provides, inter alia, on Page 815 of Deed Book 1549, as follows; "The above described line being the center line for a permanent right-of-way Or a uniform width Or twelve (12' feet, six (6) feet on either side of the center line*****".

CONTAINING a one-story general purpose industrial building.

PARCEL TWO

BEGINNING at a point in the eastern right-of-way of Jaycee Drive, being the Northwest corner of lands, now or late of All-Steel Equipment, Inc. and the Southwest corner of lands, now or formerly Wallace Metal Products, Inc.

THENCE along the Northern line of lands, now or late of All-Steel Equipment, Inc. South fifty-three degrees forty-five minutes East (S. 53- 45'E) for a distance of one thousand feet (1,000.00') to a point in the P.P. & L. Co. right-of-way;

THENCE along the West right-of-way line of the P.P. & L. Co. South thirty-six degrees fifteen minutes West (S. 36- 15'W) for a distance of forty feet (40') to a point;

THENCE through the lands, now or late of All-Steel Equipment, Inc., North fifty-three degrees forty-five minutes West (N.53- 45'W) for a distance of one thousand feet (1,000.00') to a point in the East right-of-way of Jaycee Drive;

THENCE along the east side of Jaycee Drive North Thirty-Six degrees fifteen minutes East (N.36- 15'E) for a distance of forty feet (40.00') to a point and the place of beginning.

CONTAINING Ninety-Two one-hundredths (0.92) acres.

PARCELS ONE AND TWO BEING the same premises conveyed to the Valmont Group, a General Partnership composed of Alan H. Cherenson, Stanley Siegel, Charles Gochenaur, Alan Shulman, James Cochrane and Joseph D. Byrnes, Co-partners, by deed of Greater Hazleton Community-Area New Development Organization, Inc., dated July 11, 1978 and recorded July 11, 1978 in Luzerne County Deed Book Volume 1961 at page 277 and re-recorded on January 19, 1979 in Deed Book Volume 1980 at page 19. AND THE SAID Charles Gochenaur assigned all of his right, title and interest as partner in and to The Valmont

Group to the remaining partners by Assignment of Interest in Partnership dated January 31, 1986.

ASSESSMENT PLATE 26-2-1314-2-D3-D1-D2-1
Map n/k/a Pin NO. T7S7-B1-L4

EXCEPTING OUT OF THE PROPERTY GRATED HEREIN the following parcel, which The Valmont Group (with the consent of Chromatex, Inc.) conveyed or are about to conveyed to Hazle Township by deed recorded or about to be recorded in the office for the recording of deeds in Luzerne County:

ALL THAT CERTAIN lot or piece of ground situate in the Township of Hazle, County of Luzerne and Commonwealth of Pennsylvania, bounded and described as follows, to wit:

STARTING at a point on the southerly right-of-way line of Jaycee Drive, said point also being the northeast corner of lands of Chromatex Incorporated;

THENCE along said lands South fifty-three degrees, forty-five minutes East (S53-45'E) four hundred forty-three and twenty-four one-hundredths (443.24') feet to a point, the PLACE OF BEGINNING.

THENCE continuing along said lands South fifty-three degrees, forty-five minutes East (S53-45E) thirty-one and seventy-six one-hundredths (31.76') feet to a point;

THENCE along said lands South thirty-six degrees, fifteen minutes West (S36-15'W) ninety and twenty-three one-hundredths (90.23') feet to a point;

THENCE through the lands of Chromatex Incorporated North three degrees, fifty-six minutes, forty-three seconds East (N03-56'43"E) fifty-nine and forty-three one-hundredths (59.43') feet to a point;

THENCE through lands of the same North thirty-six degrees, fifteen minutes East (N36-15'E) forty (40.00') feet to a point, the PLACE OF BEGINNING.

CONTAINING: 2,068.05 square feet.

BEING PART OF PARCEL ONE conveyed to the Grantors herein by Deed dated January 18,

1979 and recorded in the Office of the Recorder of Deeds in and for Luzerne County on January 19, 1979 in Deed Book 1980, page 19.

The Property Identification Number of the above-described parcel is T7 001 004.

LEASE AGREEMENT

THIS INDENTURE OF LEASE, made and entered into by and between CHROMATEX PROPERTIES, INC., a corporation organized and existing under the laws of the State of Pennsylvania (hereinafter referred to as the "Lessor"), and CULP, INC., a corporation organized and existing under the laws of the State of North Carolina (hereinafter referred to as the "Lessee").

W I T N E S S E T H:

THAT FOR AND IN CONSIDERATION of the payment of the rent and mutual covenants herein contained, Lessor does hereby lease, demise, and let unto Lessee and Lessee does hereby hire and take from Lessor the following described real property located in Luzerne County, Pennsylvania more particularly being described as follows to wit:

BEGINNING at a Brownstone Monument, said point being common to the Henry Rope, Nicholas Rope and John Kunkle Warrants;

THENCE along the northerly line of lands now or formerly Can-Do, Inc. (N 84-18-30 E) for a distance of (754.38) feet to a point on the westerly line of a right of way known as Kiwanis Boulevard;

THENCE along the westerly line of said right of way (S 23-44-40 W) for a distance of (633.58) feet to a point of intersection of the westerly line of said Kiwanis Boulevard and the northerly line of a right of way known as Rotary Drive;

THENCE along the northerly line of said Rotary Drive (S 84-09-00 W) for a distance of (1026.65) feet to a point, said point being the southeast corner of Site (12);

THENCE along the easterly line of said site (N 05-51-00 W) for a distance of (585 . 17) feet to a point on the northerly line of lands now or formerly Can-Do, Inc.;

THENCE along the northerly line of said lands (N 84-12-00 E) for a distance of (585 . 17) feet to a Brownstone Monument and the PLACE OF BEGINNING.

The above described property is herein referred to as the "Premises."

1. TERM AND OPTION TO RENEW. The term of this lease shall be for a period of five (5) years, commencing on November 1, 1993 and terminating on October 31, 1998 at 12:00 P.M.

Lessee shall have options to extend this lease for three (3) additional terms of five (5) years each, which options must be exercised by Lessee in writing at least six (6) months prior to the expiration of the term preceding the term for which the option is being exercised. Notice of exercise of an option shall be effective when received or when deposited in the United States Mail, postage prepaid, correctly addressed and sent certified, return receipt requested. If Lessee exercises the first (5) year option, the rent payable and the other terms of the lease shall be the same as during the initial term of the lease.

If the option to exercise the Lease for the second five (5) year period beginning ten (10) years from the date of this Lease is exercised, the rent beginning on the date which is eleven years after the date of this Lease (the "First Adjustment Date"), shall be increased in a proportion reflecting the total increase in the Consumer Price Index for the preceding ten-year period, which increase shall be calculated as follows: multiply the initial rental rate by a fraction, the numerator of which is the Consumer Price Index, United States -- All Items for All Urban Consumers for November 1, 2003 and the denominator of which is such index figure on the same basis for November 1, 1993.

If the Lessee exercises its option for the third five (5) year option period beginning fifteen (15) years from the date of this Lease, the rent payable for such five (5) year period beginning on the date which is fifteen (15) years from the date of this Lease (the "Second Adjustment Date"), and effective for the succeeding five (5) year period, shall be increased in a proportion reflecting the total increase in the Consumer Price Index for the preceding five-year period, which increase shall be calculated as follows: multiply the rental rate beginning on the First Adjustment Date by a fraction, the numerator of which is the Consumer Price Index, United States -- All Items for All Urban Consumers for November 1, 2008 and the denominator of which is such index figure on the same basis for November 1, 2003.

2. RENT. Lessee shall pay rent of Sixteen Thousand Forty One and 67/100 Dollars (\$16,041.67) a month to Lessor for the term of this lease. The first installment of rent shall be paid on the commencement date hereof, and shall be payable on the 1st day of each month during the term of this lease.

3. QUIET POSSESSION. Lessor warrants and covenants that it has full legal rights to lease the Premises and that Lessee, on payment of the rent herein provided and performing the covenants and conditions herein contained, shall have quiet and peaceful possession of the Premises during the lease term and any renewals or extensions thereof.

4. CONDITIONS OF PREMISES. Lessee hereby acknowledges that it has inspected and is acquainted with the Premises and hereby accepts the same in their present condition.

5. REPAIR. Lessor shall keep the roof, outside walls and foundations of the building on the Premises in a good state of repair at its expense, except for damage caused by Lessee; provided, however, Lessor shall have no liability whatsoever for any failure or delay in making repairs if such failure or delay is due in whole or in part to any cause beyond its reasonable control, unless it is guilty of gross negligence or willful misconduct. Should Lessor fail to make any such repair, Lessee may, at its election, but shall not be obligated so to do, by giving Lessor not less than 30 days notice in writing of its intent so to do, make such repairs, provided the cost thereof does not exceed the lesser of \$15,000 or the amount of rent payable during the remainder of the term hereof; and any amounts paid by Lessee for such purposes shall be deemed an advance payment of the monthly installment or installments of rent next becoming due and shall offset the same. Lessee shall, at its expense, keep all other aspects of the premises, heating and air conditioning in a reasonably good state of repair and agrees that it will quit and peaceably surrender the Premises, heating and air conditioning to Lessor in a good and substantial state of repair upon termination hereof, whether by

lapse of time or otherwise, normal wear and tear and damage by fire or other casualty excepted.

6. REMODELING. Lessee shall not make any improvements, remodeling, alterations or structural changes to the Premises without the written consent of Lessor, which consent shall not be unreasonably withheld.

7. INSURANCE. Lessee, at its expense, shall carry such fire and casualty insurance on the Premises in amounts as is necessary to provide full replacement and cost coverage and from companies licensed in Pennsylvania. Lessor and Lessee further mutually agree to waive any and all claims which one may have against the other for any losses paid to them under a policy or policies insuring the Premises or its contents and will obtain waivers of subrogation from their respective insurers. Lessor shall be named as an additional insured on such policy or policies. The above policy may be furnished by Lessee under any blanket policy carried by Lessee or by separate policy. Lessee shall prior to the beginning of the term of this lease, provide Lessor with evidence that such insurance is in effect. The evidence of insurance provided by Lessor to Lessee shall contain a provision that such insurance shall not be canceled without at least ten (10) days prior written notice being furnished by the insurer to Lessor. Lessee shall also carry, at its own expense, such insurance on the contents of the building as Lessee deems necessary.

8. LIABILITY INSURANCE. Lessee agrees, at its own expense, to carry comprehensive General Liability Insurance in an amount not less than \$1,000,000.00 for injuries to any one person, not less than \$2,000,000.00 for injuries to more than one person, and \$1,000,000.00 for property damage arising out of any one occurrence issued by a company licensed in Pennsylvania and to have Lessor named as an additional insured on such policy or policies. Lessee shall, prior to the beginning of the term of this lease, provide Lessor with proof that such insurance is in effect. The evidence of insurance provided by Lessor to Lessee shall contain a provision that such insurance shall not be canceled without at

least ten (10) days prior written notice being furnished by the insurer to Lessor. Lessee hereby assumes all risk and liability which, but for this paragraph, might be imposed upon Lessor for loss of life or injury to persons or property as the result of Lessor's interest in the Premises, the terms of this lease, for the manifest condition of the Premises, or from the maintenance, repair, lack of maintenance, lack of repair, alteration, remodeling or construction on the Premises, and agrees to indemnify and save harmless Lessor from such liability. Notwithstanding the foregoing, Lessee shall not be liable for nor indemnify nor save Lessor harmless from liability for the acts or omissions of Lessor or its agents, contractors or employees, and Lessor shall indemnify and save Lessee harmless from such liability. Lessee shall keep such other insurance, including fire and other property insurance on its equipment and inventory, as it may deem necessary.

9. INDEMNIFICATION OF LESSOR. Lessee will indemnify Lessor and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or property damage arising out of any occurrence in, upon or at the leased Premises; or the occupancy or use by Lessee of the leased Premises or any part thereof or occasioned wholly or in part by any act or omission of Lessee, its agents, contractors, licensees, invitees, employees or servants. Notwithstanding the foregoing, Lessee shall not be liable for nor indemnify nor save Lessor harmless from liability for the acts or omissions of Lessor or its agents, contractors or employees, and Lessor shall indemnify and save Lessee harmless from such liability. The parties mutually agree that this paragraph shall not grant an insurer the right of subrogation waived as required by Paragraph 7 hereof.

10. EQUIPMENT REMOVAL. Lessee shall have the right to install, own, and maintain any fixtures, furniture, equipment or other personal property on the Premises which it deems necessary to use in the operation of its business, and Lessor agrees that upon expiration of this lease, Lessee may remove the same provided such

removal can be effected without damage to the Premises or any damage to the Premises by such removal is repaired by Lessee at its expense.

11. UTILITIES. All utilities shall be furnished and paid for by Lessee.

12. USE OF PREMISES. Lessor agrees that Lessee may use the Premises for any lawful purpose. Lessee agrees that it will not occupy or use the Premises nor permit the same to be used or occupied for any business that is unlawful, and that it will comply with and abide by all lawful requirements of Municipal, State, and Federal authorities respecting the manner in which it uses the Premises.

13. ASSIGNMENT AND SUBLETTING. Lessee shall have the right to sublet any or all of the Premises, however the subletting of any space shall not relieve Lessee from its obligations hereunder.

14. EVENTS OF DEFAULT. Each of the following shall be an event of default hereunder:

a. Default in the payment of rent or other payments due hereunder which default continues for a period of ten (10) days after receipt of written notice of such default by Lessee;

b. If Lessee shall fail to perform or observe any other covenant or condition of this lease to be performed or observed by Lessee, and such failure continues for a period of thirty (30) days after receipt of written notice thereof by Lessee; provided that, if such default cannot be cured in thirty (30) days, Lessee shall not be in default if Lessee commences cure in such period and thereafter pursues the same diligently to completion;

c. If Lessee abandons or vacates the Premises;

d. If Lessee should make an assignment for the benefit of creditors;

e. Provided Lessee does not contest or unsuccessfully contest the same, the filing, execution or occurrence of:

i. a petition in bankruptcy by or against Lessee;

ii. a petition or answer seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the Bankruptcy Act;

iii. adjudication of Lessee as a bankrupt or insolvent;

iv. a petition or other proceeding by or against Lessee for, or the appointment of, a trustee receiver, guardian, conservator or liquidator of Lessee with respect to all or a substantial part of its property or the leased Premises;

v. a petition or other proceeding by or against Lessee for its dissolution or liquidation, or the taking or possession of the property of Lessee by any governmental authority in connection with the dissolution or liquidation of Lessee other than as a result of a tax-free reorganization as said term is defined by the Internal Revenue Code; or

vi. the taking by any person, firm, or corporation of the leasehold created hereby or any part thereof by execution, attachment or other process of law or equity except as otherwise provided herein.

15. REMEDIES ON DEFAULT. Upon an occurrence of an event of default, Lessor may, at its election, in addition to any other remedy or right provided herein or by law, immediately or at any time after the occurrence of any event of default, and without notice or demand but with such due process of law as is required, enter upon the Premises or any part thereof and upon such entry this lease shall terminate; provided however, no such entry, resumption or possession, termination, or any reletting of the Premises shall be deemed to be an acceptance or surrender of this lease or a waiver of the rights of Lessor hereunder unless Lessor so elects. Acceptance of payment of rentals by Lessor after such entry or termination shall not be considered a confirmation or renewal of this lease.

16. RELETTING. Upon termination of this lease as above provided, Lessor shall use reasonable efforts to relet the Premises. Lessor shall be deemed to have used reasonable efforts if it leases the whole or any part of the premises, separately or with other premises for any period equal to or less than, or extending beyond, the remainder of the original term; for any commercially reasonable sum or to any tenant or for any use it reasonably deems satisfactory or appropriate, and refusal to let to any person or for any use the Lessor deems objectionable, or for any use not expressly permitted under any paragraph or section of this lease shall not be deemed to be an unreasonable act on behalf of Lessor. Any rentals collected by Lessor upon such reletting shall first be applied to the reasonable expenses incurred by Lessor in such reletting (not including costs of refitting or new construction) and then to offset the liability of Lessee hereunder; provided, however, Lessor shall be entitled to retain without liability to Lessee any sums in excess of the liability of Lessee to Lessor.

17. EMINENT DOMAIN. The parties mutually agree that in the event the whole or any part of the Premises shall be taken for any public or quasi-public use under any statute, or by right of eminent domain, or by private purchase and conveyance in lieu thereof, or in connection therewith, any compensation shall be paid to Lessor and Lessee separately, as their respective interests and rights are established, and in the event Lessee determines that the leased property remaining after such taking or conveyance is insufficient to continue its business, this agreement shall terminate at the exclusive judgment and determination of Lessee. Lessor agrees that if Lessee elects to continue this agreement after such a partial taking or conveyance, Lessor shall repair and restore the premises as nearly as possible to the condition that existed prior to such taking and a pro rata abatement of rent for the balance of the term of this agreement shall be effective as of the date of such taking. The parties further mutually agree that in the event of a substantial taking during the last six (6) months

of the term hereof, Lessor shall have no obligation to restore unless Lessee has exercised any remaining extension option and has waived its right to terminate hereunder, and in any event, Lessor shall not be required to expend an amount for the restoration which is greater than the compensation award it receives.

18. **HOLDOVER TENANCY.** In the event Lessee continues to occupy the premises upon termination hereof, whether by lapse of time or otherwise, such tenancy shall be deemed to be a tenancy from month to month and either party may terminate the same by giving the other thirty (30) days written notice of termination.

19. **NOTICE.** All notices or communications required or permitted to be given hereunder shall be in writing and shall be mailed or delivered to the respective addresses set forth below, or to such other address as may be designated in writing by the party to receive such notice.

To Lessor as follows:

Mr. Ronald W. Satterfield
Chromatex Properties, Inc.
P. O. Box 40
Rossville, Georgia 30741

With a copy to:

John C. Mooney, Esquire
Heiskell, Donelson, Bearman, Adams,
Williams & Caldwell, P.C.
1800 Republic Centre
Chattanooga, Tennessee 37450-1800

To Lessee as follows:

Mr. Frank Saxon
P. O. Box 2686
101 South Main Street
High Point, North Carolina 27261

With a copy to:

Hank Ralston, Esquire
Robinson, Bradshaw & Hinson, P.A.
1900 Independence Center
101 North Tryon Street
Charlotte, North Carolina 28246

20. **SEPARABILITY.** The parties mutually agree that each and every covenant and agreement contained in this agreement shall for all purposes be construed to be a separate and independent covenant and agreement, and a breach of any covenant or agreement herein by either party shall in no way or manner discharge or

relieve the other party from its obligation to perform each and every covenant and agreement herein. The parties further mutually agree that if any provision hereof or any remedy herein provided for shall be invalid under any applicable law, such provision shall be inapplicable and deemed omitted but the remaining provisions hereof, in accordance with the manifest intent hereof shall be valid and enforceable to the fullest extent permitted by law.

21. WAIVER. Either party may, in its discretion, from time to time in writing, signed by the party to be charged grant indulgences, extensions, dispensations or other privileges to the other with respect to any requirement or provision of this agreement, but no such indulgence, extension, dispensation, waiver or omission of either party shall, or shall be construed to have affected any implied amendment hereto or to have established a custom or practice binding such party or to be a waiver of any requirement or provision in the future or an acquiescence to any future default, nor prevent the strict enforcement of any provision hereto at any other time.

22. INSPECTION. Lessor or Lessor's agents shall have the right to enter upon the Premises at all reasonable times to examine the same; provided, however, such examination and inspection of the Premises shall be done in a manner which will not interfere with the business of Lessee and, except in emergencies, shall be allowed only after reasonable advance notice and only during regular business hours. During the last ninety (90) days of the term of this agreement, Lessor shall be permitted to affix a "For Lease" or "For Sale" sign on the Premises and to show the same to prospective purchasers or tenants provided such placing and showing shall not interfere with the business of Lessee.

23. ENTIRE AGREEMENT. This lease contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, shall be of any force or effect.

24. APPLICABLE LAW. It is mutually agreed that this agreement shall be construed in accordance with the laws of the State of Pennsylvania.

25. CAPTIONS. The captions are inserted a convenience and for reference and in no way define, limit, or describe the scope of this agreement nor the intent of any provisions hereof.

26. TAXES. Lessee shall pay all real property taxes on the Premises. For the first year of the Lease, Lessee shall pay only the portion of the taxes for 1993 for November and December of 1993 and the balance of 1993 property taxes shall be paid by Lessor. The amount payable for such taxes for 1993 shall be payable by Lessee to Lessor and Lessor shall pay the taxing authorities for 1993 taxes prior to delinquency. Such taxes for 1993 shall be paid by Lessee to Lessor on or before December 15, 1993. The amount payable for taxes for all of the years of the leases which shall include the option period if the lease is extended shall be paid by Lessee to Lessor by December 15th of each year except that the taxes payable by Lessee for the last year of the lease which shall be property taxes for ten (10) months of such year shall be paid on or before the last date of the lease, and Lessor shall pay the taxing authority for the taxes prior to delinquency.

27. SUCCESSORS AND ASSIGNS. The covenants, stipulations, agreements, and conditions herein shall inure to the benefit of and shall be binding upon the successors and assigns of the respective parties hereto, subject to all the terms, conditions and contingencies herein set forth. Provided, however, that this lease cannot be assigned by Lessee without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Furthermore, in the event of an assignment, Lessee shall continue to be liable pursuant to the terms of this lease.

28. DAMAGES TO PREMISES. If all or a portion of the Premises are rendered untenable or damaged by any casualty, the damage shall be repaired forthwith by and at the expense of Lessor.

Except as set forth herein below, until such repairs are completed, the rent shall be abated in proportion to the part of the Premises which is unusable by Tenant in the conduct of business.

No damages, compensation or claims shall be payable by Lessor for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises. Lessor shall use its best efforts to effect such repair or restoration promptly and in such a manner as to not unreasonably interfere with Lessor's use and occupancy.

A total destruction of the Premises in the last two (2) years of the lease term shall automatically terminate this Lease Agreement unless Lessee exercises at least one (1) remaining extension option within sixty (60) days after such destruction.

Lessor shall not be required to expend more for the restoration of the damage to the premises than the amount of insured proceeds received by Lessor.

Lessor shall not be obligated to repair any damage to any portion of Lessee's personal property located on the Premises.

29. OFF-SET STATEMENTS AND MORTGAGE SUBORDINATION.

Within fifteen (15) days after a request therefor by either party, or in the event that upon any sale, assignment or hypothecation of the Premises by Lessor or Lessee an off-set statement shall be required from the other party, said party agrees to deliver a certificate to any proposed mortgagee, purchaser or assignee, or to Lessor or Lessee, certifying (if such be the case) that this Lease is in full force and effect and that there are no defenses or off-sets thereto, or stating those claimed by Lessee or Lessor.

Lessee shall, upon the request of the Lessor, in writing, subordinate this Lease and the lien hereof from time to time to the lien of any future mortgage to a bank, insurance company or similar financial institution, irrespective of time of execution or time of recording of such mortgage or mortgages, provided the holder of such mortgage shall enter into an agreement with Tenant, in recordable form, which, in substance, shall provide that, in the event of foreclosure or other right asserted under the mortgage by

the holder or assignee thereof, this Lease and the right of Lessee hereunder shall continue in full force and effect and shall not be terminated or disturbed except in accordance with the provision of this Lease. Such mortgage holder shall further agree to make casualty insurance proceeds available for restoration, as required hereunder. Lessee shall, if requested by the holder of any such mortgage, be a party to said agreement, and shall agree in substance that if the mortgagee or other person claiming under such mortgage shall succeed to the interest of Lessor, Lessee shall recognize and attorney to such mortgagee or person as its Landlord under the terms of this Lease. Lessee agrees that Lessee shall, upon the request of Lessor, execute, acknowledge and deliver any and all instruments necessary to effectuate, or to give notice of such subordination. The word "mortgage" as used herein includes mortgages, deeds of trust, similar instruments and modifications, consolidations, extensions, renewals, replacements of substitutions therefor.

30. HAZARDOUS MATERIAL. With respect to any Hazardous Materials which Lessee, its agent or, employees, may use, handle, store or generate in the conduct of Lessee's business at the Demised Premises, Lessee covenants and agrees that:

a. it will comply with all applicable Environmental Laws which relate to the treatment, storage, transportation and handling of Hazardous Materials.

b. it will in no event permit or cause any disposal of any Hazardous Materials in, on or about the Demised Premises and in particular will not deposit any Hazardous Materials in, on or about the floor of the Building or in any drainage system or in the trash containers which are customarily used for the disposal of solid waste;

c. with respect to any off-site disposal, shipment, storage, recycling or transportation of any Hazardous Materials, it will properly package the Hazardous Materials and shall cause to be executed, duly filed and retained all records required by applicable Environmental Laws;

d. it will at all reasonable times after prior written notice during reasonable hours, permit Lessor or its agents or employees to enter the Demised Premises to inspect the same for compliance with the terms of this Section; and

e. upon the termination of this Lease, it will, at its expense, remove all Hazardous Materials from the Demised Premises which were placed on the Demised Premises by Lessee and otherwise comply with all applicable Environmental Laws.

In the event that Lessee fails to comply with any of the provisions contained in this Section, Lessee agrees to hold harmless and indemnify Lessee from and against any and all claims, loss, costs, damages and expenses, including reasonable attorneys' fees, which may arise in connection therewith. The obligations of Lessee under the terms of the previous sentence shall not be effective, however, in the event that any such non-compliance results from, or to the extent such non-compliance is attributable to, the acts, omissions or negligence of Lessor or Lessor's agents, employees or contractors. The terms of this Section shall expressly survive the expiration or earlier termination of this Lease.

"Environmental Laws" means any and all federal, state, local or municipal environmental, land use, zoning, health, chemical use, safety and sanitation laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any governmental authority regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Material, as not or may at any time hereafter be in effect relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Materials, including, without limitation, the Clean Water Act (also known as the Federal Water Pollution Control Act) ("FWPCA"), 33 U.S.C. Section 1251 et seq., the Toxic Substances Control Act ("TSCA"), 15 U.S.C. Section 2601 et seq., the Clean Air Act (C) Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act

("FIFRA"), 7 U.S.C. Section 136 et seq., the Safe Drinking Water Act ("SDWA"), 42 U.S.C. Section 300f et seq., the Surface Mining Control and Reclamation Act ("SMCRA"), 30 U.S.C. Section 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 et seq., the Superfund Amendment and Reauthorization Act of 1986 ("SARA"), Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right to Know Act ("EPCA"), 42 U.S.C. Section 1101 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq., the Occupational Safety and Health Act as amended ("OSHA") 29 U.S.C. Sections 655 and 657, any other Environmental Law together with amendments thereto, regulations promulgated thereunder and all substitutions thereof, rules, regulations, policies, guidelines, interpretations, decisions and directives of federal, state and local governmental agencies and authorities with respect thereto.

"Hazardous Material" means, without limitation, any flammables, explosives, radioactive materials, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as defined in CERCLA, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the RCRA, the TSCA, or any other Environmental Law or the regulations promulgated thereunder and substitutions thereof as are now or hereafter in effect. Such term also means any other waste, substance or material that exhibits any of the characteristics enumerated in 40 C.f.R. Sections 261.20-261.24, inclusive, and those extremely hazardous substances listed under Section 302 of SARA that are present in threshold planning or reportable quantities as defined under SARA and toxic or hazardous chemical substances that are present in quantities that exceed exposure standards as those terms are defined under Sections 6 and/or 8 of OSHA, Radon and any asbestos or asbestos-containing substances whether or not the same are defined as hazardous, toxic,

dangerous waste, a dangerous substances or dangerous material or gas in any Environmental Law.

31. ATTORNEYS' FEES. If any party to this Lease Agreement must engage the services of an attorney to enforce the provisions of this Agreement, the attorneys' fees of the prevailing party shall be paid by the non-prevailing party.

IN TESTIMONY WHEREOF, the Lessor and Lessee have executed this Lease Agreement on this the 1st day of November, 1993.

CHROMATEX PROPERTIES, INC.

By: (Signature of Ronald W. Satterfield)
LESSOR

CULP, INC.

By Franklin M. Saxon
LESSEE
Vice President & CFO

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

Before me, Kimberly A. Langstaff, a Notary Public in and for the State, and County aforesaid I, personally appeared Ronald W. Satterfield, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Executive Vice President of Chromatex Properties, Inc., the within name bargainor, a corporation, and that he as such Executive Vice President, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such Executive Vice President.

WITNESS my hand and seal at office, on this the 1st day of November, 1993.

Kimberly A. Langstaff
Notary Public
My Commission Expires: 11/5/97

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

Before me, Kimberly A. Langstaff, a Notary Public in and for the State and County aforesaid I, personally appeared Franklin M. Saxon, With whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Vice President & CFO of Culp, Inc., the within named bargainor, a corporation, and that he as such Vice President & CFO, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such Vice President & CFO.

WITNESS my hand and seal at office, on this the 1st day of November, 1993.

Kimberly A. Langstaff
Notary Public
My Commission Expires: 11/5/97

AMENDMENT TO LEASE AGREEMENT

THIS AMENDMENT TO INDENTURE OF LEASE is hereby made to be effective on May 1, 1994 by and between CHROMATEX PROPERTIES, INC., a corporation organized and existing under the laws of the State of Pennsylvania, hereinafter referred to as the "Lessor" and CULP, INC., a corporation organized and existing under the laws of the State of North Carolina, hereinafter referred to as the "Lessee".

W I T N E S S E T H:

THAT WHEREAS, Lessor and Lessee entered into a Lease Agreement dated November 1, 1993; and

WHEREAS, Lessor has made certain improvements to the "Premises" as defined in the original Lease Agreement; and

WHEREAS, Lessee has agreed to increase its rent payment to Lessor for 54 months beginning May 1, 1994 in order to pay Lessor for the improvements made to the Premises; and

WHEREAS, all other terms of the Lease Agreement dated November 1, 1993 are to remain the same except that Paragraph 2 of the original Lease Agreement shall be amended to read as provided in this amendment to the lease agreement.

NOW, THEREFORE, for and in consideration of the Premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the

parties do hereby agree to amend Paragraph 2 of the original Lease Agreement between Lessor and Lessee dated November 1, 1993 to read as follows:

2. RENT. Lessee shall pay rent of Sixteen Thousand Forty-one and 67/100 Dollars (\$16,041.67) a month to Lessor for the term of this lease. The first installment of rent shall be paid on the commencement date hereof, and shall be payable on the 1st day of each month during the term of this lease. Provided, however that for 54 months beginning May 1, 1994 Lessee shall pay rent of Seventeen Thousand Eight Hundred Thirty-three and 67/100 Dollars (\$17,833.67) to Lessor. In the event Lessee exercises any one or more of its options to renew the lease, the rent payable for such option periods shall be the same as provided in the original Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have executed the Amendment to the Lease Agreement as of the first day of May, 1994.

CHROMATEX PROPERTIES, INC.

By: (Signature of Ronald W. Satterfield)
Ronald W. Satterfield)
Executive Vice President

LESSOR

CULP, INC.

By (Signature of Franklin N. Saxon)
(Franklin N. Saxon)
Vice President and CFO
LESSEE

CANADA-QUEBEC SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT (1991)

Project No.:

Attention:

Subject: Capital project for the expansion and modernization
of your facility located at St.Jerome, Quebec

Dear Sirs:

In response to your application for financial assistance dated 4 January 1995, the Government of Canada, as represented by the Minister responsible for Industry Canada, and the Government of Quebec, represented by the Minister of Industry, Commerce, Science and Technology("the Ministers") hereby offers a repayable contribution under the Canada-Quebec Subsidiary Agreement on Industrial Development (1991) to Rayonese Textile Inc. (the Applicant) for the execution of the project described in Schedule A (the project).

1. The agreement

1.1 This letter of offer, including schedules A, B and C constitutes the full agreement between the parties once the Applicant has met the conditions of paragraph 9.2 hereof.

2. The project

2.1 The Applicant shall

.1 complete the project no later than 30 April, 1998.

Initials: Co-Chairman of the Management Committee

Applicant

Project No.:

3. The contribution

3.1 Subject to the other provisions of this agreement, the Minister agrees to pay to the Applicant the lesser of:

- .1 a sum not to exceed 3,618,000 \$; or
- .2 20% of the eligible capital costs authorized in Schedule A.

3.2 The Minister will not contribute to any costs incurred by the Applicant prior to 4 Jan. 1995.

3.3 In accordance with the provisions of the Canada-Quebec Subsidiary Agreement on Industrial Development (1991), the Government of Canada and the Government of Quebec will each pay their share of the total contribution, namely fifty percent (50%) each.

4. Representations and undertakings by the Applicant

4.1 Rayonese Textile, Inc. (company name) is an entity duly established under the Canada Business Corporations Act, is in good standing with the rules by which it is governed, and is not subject to any commitment or prohibition that would be violated by the execution of the project.

5. Payment conditions

5.1 On submission of a documented claim by the Applicant, the Minister will disburse the contribution in installments covering at least six (6) months of work and representing at least 20% on the eligible capital costs incurred and paid by the applicant. The total amount of the instalments shall not exceed 90% of the authorized contribution.

5.2 The outstanding balance of the contribution will be paid at the completion date of the project.

Initials: Co-Chairman of the Management Committee

Applicant

Project No.:

6. Conditions related to the disbursement of the contribution

6.1 Financing and Net worth

6.1.1 The applicant agrees to present proof, to the Minister's satisfaction, that he has obtained the financing for the project as described in Annex A.

6.1.2 The applicant undertakes to present proof, to the Minister's satisfaction, that it has a minimum net worth of \$6,700,000 prior to the second disbursement of the contribution, and that it will maintain this net worth for the duration of this contract.

6.2 The Minister will disburse the contribution to the Applicant

.1 once he is satisfied that the potential adverse environmental effects of the project are negligible, and

.2 once the Applicant has demonstrated that it has adopted and applied, in relation to the project, the environmental protection measures that are satisfactory to all the regulatory agencies with authority over the Applicant or the project, or both.

6.3 Prior to the initial disbursement, the applicant must submit a corporate guarantee executed by its parent, Culp Inc., in substantially the same form as appears in Annex C attached hereto.

7. Other government assistance

7.1 The Applicant states that it has neither requested nor received any other financial assistance from the federal, provincial or municipal government for the purposes of the project.

7.2 The Applicant agrees to disclose without delay, and in all cases no later than the moment that such assistance is received, any other assistance granted for the purposes of the project, and the Applicant acknowledges that the Minister may reduce the amount of the contribution under this agreement by as much as the amount of the additional assistance expected or received.

Initials: Co-Chairman of the Management Committee

Applicant

Project No.:

8. Repayment

8.1 If the results are conclusive, the Applicant shall repay the contribution to the Minister in five annual, equal, consecutive instalments.

8.2 The first instalment is due and payable one year after the date of the last disbursement and subsequent instalments are due and payable at intervals of twelve months thereafter.

8.3 Repayments of the contribution shall be made directly to each government in proportion to its share of the contribution.

9. General conditions

9.1 By accepting this offer, the Applicant certifies that, except as previously declared to the Ministers, it has made no contractual commitment concerning the project prior to submitting the application for financial assistance.

9.2 A copy of this offer, duly signed, including the initialed schedules which are an integral part hereof, must be returned within 60 days of its date of issue to the address shown below. The offer shall become null and void after the said 60 days.

For further information, please contact H. Gilles Lefabyre, the designated spokesperson, by telephone at (514)283-3667/283-5103; or in writing, at the following address:

Industry Canada
5, Place Ville-Marie
7th floor
Montreal (Quebec)
H3B 2G2

Initials: Co-Chairman of the Management Committee

Applicant

Project No.:

Yours truly,

Denise Boudrias

Michel La Salle

Co-Chairmen of the Management Committee

We have read the terms and conditions set out in this offer and the schedules, and we hereby accept the offer.

Accepted on 19 .

Rayonese Textile, Inc.
(company name)

By Franklin N. Saxon
(signature)

Company seal
Vice President and Chief Financial Officer
(title)

p.s. The applicant must initial all pages of this offer and the attached schedules

Enclosures

Schedule A -- Project description and funding
Schedule B -- General conditions, representations and warranties
Schedule C --

CANADA-QUEBEC SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT (1991)

Project No.:

SCHEDULE A

PROJECT DESCRIPTION AND FUNDING

PURPOSE OF PROJECT

The purpose of this project is to increase productivity and product quality. The total eligible cost of the project is estimated at \$18,090,000. \$, broken down as follows:

Building	Adjustable Costs	Other Costs
Enlargement of Building	\$1,500,000	
Equipment		
28 Loans	\$15,330,000	\$4,320,000
2 Compressors	660,000	
1 Slasher	600,000	
Total	\$16,590,000	\$4,320,000
	\$18,090,000	\$4,320,000

Total Cost of Project \$22,410,000

FINANCING

Long term debt	\$16,119,000
Working Capital	2,673,000
Subsidiary Agreement	3,618,000
TOTAL	\$22,410,000

Initials: Co-Chairman of the Management Committee

Applicant

CANADA-QUEBEC SUBSIDIARY AGREEMENT
ON INDUSTRIAL DEVELOPMENT (1991)

Project No:

GENERAL CONDITIONS, UNDERTAKINGS AND REPRESENTATIONS

1. Definitions

Unless the context dictates otherwise, the following terms have the stated meaning for the purposes of this agreement:

- 1.1 "Project": the work to be undertaken as per the Applicant's request and summarized in Schedule A.
- 1.2 "Application": means the written request by the Applicant to the Minister for financial assistance for the project under this agreement (SAID 91) and any other document provided subsequently by the Applicant or its representative.
- 1.3 "Parties": means the Minister and the Applicant.
- 1.4 "Eligible capital costs": means reasonable costs which are directly related to the project and are entered in the Applicant's capital accounts in accordance with the standards of the Canadian Institute of Chartered Accountants (CICA).
- 1.5 "Starting date of project": means the date on which the work actually begins.
- 1.6 "Completion date of the project": means the date on which:
 - .1 all the assets for which the Ministers have contributed or agreed to contribute funding are used in the facility and will continue to be so used for the foreseeable future;
 - .2 the facility or the part of the facility for which the assistance specified in the letter of offer was provided, has been utilized for not less than 30 consecutive working days in the provision of marketable services or the production of marketable goods in commercial quantities; and

Initials: Co-chairman of the Management Committee

Applicant

Project No.:

1.7 "Net worth" means the total of:

- a) the share capital of the applicant, or the proprietor's or partner's capital accounts;
- b) the earned surplus, contributed surplus or other surplus account of the applicant;
- c) the deficit accounts of the applicant;
- d) loans from shareholders to the applicant that are subordinated to all other liabilities for the duration of the contract;
- e) subject to the consent of the Ministers, all loans provided to the applicant, other than shareholder loans, that are subordinated to all other liabilities for the duration of the contract, less any amounts included in a) and e) above which, in the opinion of the Ministers, unreasonably inflate the net worth.

2. Duration of the agreement

2.1 The effective date of the agreement is the date on which the Minister receives a duly completed and signed copy hereof.

2.2 This agreement shall terminate on the later of the two dates below:

- .1 36 months after the project completion date, to the satisfaction of the Ministers; or
- .2 when the sums owed to the government under this agreement have been paid in full.

Initials: Co-Chairman of the Management Committee

Applicant

Project No.:

3. Disbursement

- 3.1 The Applicant must submit a claim in writing for each instalment of the contribution. In support of each claim, it shall submit supporting documentation in respect of the major costs claimed, a copy of its latest audited annual financial statements and, where requested, an auditor's certificate or other documents showing compliance with the terms and conditions of payment.
- 3.2 No claim for payment from the Applicant shall be accepted more than twelve (12) months after the project completion date.

4. Reports

- 4.1 The Applicant shall promptly provide the Ministers with all the reports he requests on the progress and results of the project.
- 4.2 The Applicant shall give any authorized representative reasonable access to its premises, books and other records for the purposes of inspecting and evaluating the progress and the results of the project.
- 4.3 As soon as possible after the end of each financial year, as long as the agreement is in force, the Applicant shall provide the Ministers with a copy of its audited annual financial statements and its interim half-yearly financial statements as promptly as possible.

5. Undertakings by the Applicant

- 5.1 For the duration of this agreement, the Applicant commits to
- .1 take every necessary measure to maintain its corporate existence and legal competence and to inform the Minister of any failure to do so;

Initials: Co-Chairman of the Management Committee
Applicant

Project No.:

- .2 take every necessary measure to carry out the project successfully and in compliance with the time frame and costs agreed, in workmanlike fashion and employing qualified personnel;
- .3 co-operate fully with the Ministers, and more specifically, provide, immediately and free of charge, all pertinent information relating to the project and the Applicant which the Ministers may request;
- .4 immediately advise the Minister of any fact or event which is liable to compromise the success of the project immediately or in the long term;
- .5 obtain and maintain in effect, while the agreement is in force, an insurance policy, satisfactory to the Minister, on the assets acquired for the purposes of the project; the Applicant shall, in the event of loss, notify the Minister in writing within 30 days following the said loss that the insurance settlement will be assigned, in a delay judged reasonable by the Ministers, to the reconstruction or repair of the assets necessary for the project, failing which, the Applicant shall reimburse the contribution received.

5.2 For the duration of this agreement, the Applicant undertakes not to

- .1 amend the project with respect to its ownership, cost, funding, scope, date of completion, location or any other aspect, without the Minister's prior written consent;
- .2 take actions or make any decisions that might compromise the success of the project or the Applicant's financial viability;
- .3 sell or otherwise dispose of assets necessary for carrying out or operating the project, or cease to use any asset which has been paid for in part through financial assistance under this agreement, without the prior written consent of the Ministers;
- .4 move the assets to be used for the project off the premises described herein.

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6. Default

6.1 While the provisions of this agreement are in effect, any of the following events, without being restrictive, shall constitute default:

- .1 the Applicant becomes bankrupt or insolvent, is placed under receivership, or files for protection under any statute relating to bankrupt or insolvent debtors;
- .2 an order is made or a resolution passed for the winding up of the Applicant, or the Applicant is dissolved;
- .3 in the opinion of the Ministers, the Applicant has ceased to do business in Quebec, its business operations have been suspended, it has transferred its activities outside Quebec, or it has disposed of assets for which funding was granted hereunder;
- .4 the Applicant has submitted false or misleading information which played a significant role in the Minister's decision to grant the assistance;
- .5 in the opinion of the Ministers, a material adverse change has occurred in the Applicant's corporate risk;
- .6 the Applicant has failed to abide by a major undertaking set out in this agreement;
- .7 in the opinion of the Ministers, the Applicant has made a significant change to the project without obtaining his prior written consent;
- .8 the Applicant made unauthorized substantial contractual commitments prior to the date on which the Ministers received its application for assistance;

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- .9 in the opinion of the Ministers, the Applicant has failed to carry out the project promptly and, among other things, has not met the deadlines specified herein, except where, in the Minister's opinion, the circumstances of such a situation were beyond the Applicant's control;
- .10 the Applicant has not met the terms and conditions of repayment set forth in the letter of offer;
- .11 the total eligible costs is inferior to \$ 10 million at the completion date of the project.

6.2 In the event of default or, if the Minister deems that default is likely to occur, he may exercise any or all of the following measures:

- .1 suspend the contribution for an indefinite period;
- .2 demand the immediate total or partial repayment, with or without interest, of any contribution received by the Applicant;
- .3 cancel the full amount or a part of the contribution;
- .4 apply an interest rate equivalent to the higher of the prevailing Bank of Canada rate, plus 3%, or the prevailing fixed rate of the Societe de developpement industriel du Quebec, on any late payment as of the date on which any such amount becomes due and payable.
- .5 demand that the Applicant transfers to the Ministers all rights and privileges arising in connection with the work carried out;
- .6 ask the Applicant to provide any and all guarantees and security that he deems appropriate in respect of his present or potential claim and to draw up at its own expense all the necessary documents for this purpose within five days of his request.

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7. Quebec and Canadian goods and services

7.1 When purchasing goods or services for use in the project, the Applicant shall use Quebec and Canadian carriers, suppliers, manufacturers and subcontractors to the extent that such goods and services are available and competitively priced.

8. Other terms and conditions

8.1 No member of the Parliament of Canada or the National Assembly of Quebec shall be admitted to any share or part of the agreement or to any benefit arising therefrom.

8.2 This agreement shall not be assigned without the prior written consent of the Ministers.

8.3 The proposed project shall comply with all applicable federal and provincial laws and regulations, in particular those relating to the environment.

8.4 The Applicant agrees to indemnify and save harmless the parties, their officers, servants and agents against any and all claims and demands by third parties arising out of the implementation of the project.

The parties acknowledge further that nothing in this agreement shall be construed as creating a partnership, joint venture or agency relationship between the government and the Applicant.

8.5 If any amendment becomes necessary during the term of this contract, the Applicant shall make a written request to the Ministers to that effect. In turn, the Ministers shall inform the Applicant of his decision in writing.

8.6 The Applicant undertakes to inform the Ministers without delay of any change or event that may have a significant effect on the costs, timetable or nature of the project.

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8.7 The Applicant has the legal competence and authority to operate its business and to sign this letter of offer.

8.8 This agreement is subject to and shall be construed in accordance with the laws of the province of Quebec, and the parties hereto acknowledge the jurisdiction of the Superior Court and the appeal courts of Quebec for the resolution of any disputes arising from the agreement.

9. Contract language

9.1 Les parties aux presentes acceptent que ce contrat de meme que tous les documents, y compris les avis s'y rattachant, soient rediges en francais seulement.

The parties hereto agree that this agreement and all other documents relating hereto, including related notices, be written in French only.

10. Announcements and ceremonies

10.1 The Applicant hereby agrees that, unless otherwise indicated, a public announcement may be made by the Ministers, or on their behalf, giving the Applicant's name, address and type of business, the estimated cost of the project, the amount and form of assistance, and a brief description of the project.

10.2 The Ministers shall inform the Applicant promptly in writing of the date on which the public announcement is to be made, and the Applicant shall maintain the confidentiality of this agreement until such date;

10.3 The Applicant shall notify the Ministers in writing, at least 14 days in advance, of any official ceremony organized in connection with the project.

10.4 The Applicant hereby consents to the participation by the Ministers or their representatives in any official ceremony.

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Applicant

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