

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) January 22, 2007

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

0-12781

56-1001967

(State or Other Jurisdiction
of Incorporation)

(Commission File Number)

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

1823 Eastchester Drive
High Point, North Carolina 27265

(Address of Principal Executive Offices)
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former name or address, if changed from last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Forward-Looking Statements

This report is filed by Culp, Inc. (the "Company"). This report contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "anticipate," "expect," "believe," "estimate," "plan" and "project" and their derivatives, and include but are not limited to statements about the Company's future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the Company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the Company adversely. Changes in consumer tastes or preferences toward products not

produced or marketed by the Company could erode demand for the Company's products. The Company's level of success in integrating the acquisition described herein and in capturing and retaining sales to customers related to the acquisition will affect the Company's ability to meet its sales goals. In addition, strengthening of the U.S. dollar against other currencies could make the Company's products less competitive on the basis of price in markets outside the United States. Also, economic and political instability in international areas could affect the Company's operations or sources of goods in those areas, as well as demand for the Company's products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the Company's periodic reports filed with the Securities and Exchange Commission, including the "Risk Factors" section in the Company's most recent annual report on form 10-K.

Item 1.01. Entry into a Material Definitive Agreement.

Culp, Inc. (the "Company") has entered into a Registration Rights and Shareholder Agreement dated January 22, 2007 (the "Registration Agreement"), which relates to the shares of the Company's common stock (the "Shares") issued by the Company to International Textile Group, Inc. ("ITG") pursuant to an Asset Purchase Agreement (the "Asset Agreement") between the Company and ITG (filed as Exhibit 10.1 to the Company's report on Form 8-K dated January 11, 2007). Under the terms of the Registration Agreement, ITG may demand that the Company register the Shares with the Securities and Exchange Commission, which would allow the Shares to be sold to the public after the registration statement becomes effective. The Registration Agreement also contains provisions pursuant to which ITG will agree not to purchase additional Company shares or take certain other actions to influence control of the Company, and will agree to vote the Shares in accordance with the recommendations of the Company's board of directors. The Registration Agreement is attached hereto as Exhibit 10.1, and the description of the terms of the Registration Agreement contained herein is qualified in its entirety by reference to the full text of the Registration Agreement set forth in Exhibit 10.1 hereto.

The Company has incurred additional long term debt pursuant to a Promissory Note (the "Note") in the amount of \$2,500,000, to Wachovia Bank, National Association ("Wachovia"). The Note is attached hereto as Exhibit 10.2, and a more detailed description of its terms is included in Item 2.03 below.

On January 22, 2007, the Company entered into the Tenth Amendment to Amended and Restated Credit Agreement (the "Amendment") by and between the Company and Wachovia, amending the Company's current credit agreement with Wachovia (the "Credit Agreement"). The Amendment reduces the line of credit available under the Credit Agreement to \$6,500,000 and extends the term of the Credit Agreement to December 31, 2007. The Amendment also deletes the liquidity requirement under the Credit Agreement that required the Company to keep certain levels of cash on deposit with Wachovia, and it amends certain financial covenants, including the capital expenditures limit and the amounts of required earnings before interest, taxes, depreciation and amortization (EBITDA) for the Company's future fiscal quarters. The Amendment is attached hereto as Exhibit 10.3, and the description of its terms contained herein is qualified in its entirety by reference to the full text of the Amendment set forth in Exhibit 10.3.

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

(a) On January 22, 2007, the Company entered into an additional loan with Wachovia Bank, National Association ("Wachovia"), evidenced by a Promissory Note (the "Note") in the amount of \$2,500,000. The Note provides for interest at the rate of the London Interbank Rate ("LIBOR") plus 3.0 percent, with interest only payable monthly until the maturity date of the Note, which is June 30, 2010, on which date the full principal amount is due and payable. The Note is secured by a deed of trust on the Company's headquarters building in High Point, North Carolina. The Note is attached hereto as Exhibit 10.2, and the description of its terms contained herein is qualified in its entirety by reference to the full text of the Note set forth in Exhibit 10.2

Item 3.02. Unregistered Sales of Equity Securities.

The Company sold approximately 880,000 shares of its common stock (the "Shares") to International Textile Group, Inc. ("ITG") pursuant to an Asset Purchase Agreement (the "Asset Agreement") dated January 11, 2007, as disclosed under item 1.01 above. The Asset Agreement was previously disclosed and filed as Exhibit 10.1 to the Company's report on Form 8-K dated January 11, 2007. The transactions described in the Asset Agreement, including the sale of the Shares to ITG, closed on January 22, 2006. The Shares were sold in partial payment for the "Purchased Assets" as defined in the Asset Agreement (principally inventory and proprietary rights). The precise number of Shares to be issued under the Asset Agreement is subject to adjustment pursuant to a closing date inventory. The Shares will be issued as soon as the Purchase Price under the Asset Agreement is finalized. If the number of Shares actually issued to ITG differs materially from the estimated number stated above, the Company will file an amendment to this report on Form 8-K. The Shares were sold pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the "Act") and Rule 506 thereunder. The Shares are being sold to a single "accredited investor" as defined in Regulation D under the Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 10.1 - Registration Rights and Shareholder Agreement between Culp, Inc. and International Textile Group, Inc. dated as of January 22, 2007

Exhibit 10.2 - Promissory Note to Wachovia Bank, National Association dated January 22, 2007

Exhibit 10.3 - Tenth Amendment to Amended and Restated Credit Agreement dated January 22, 2007

SIGNATURES

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

Date: January 26, 2007

Culp, Inc.

By: /s/ Kenneth R. Bowling

Kenneth R. Bowling
Vice President - Finance, Treasurer

EXHIBIT INDEX

Exhibit Number -----	Exhibit -----
10.1	Registration Rights and Shareholder Agreement between Culp, Inc. and International Textile Group, Inc. dated as of January 22, 2007
10.2	Promissory Note to Wachovia Bank, National Association dated January 22, 2007
10.3	Tenth Amendment to Amended and Restated Credit Agreement dated January 22, 2007

REGISTRATION RIGHTS AND SHAREHOLDER AGREEMENT

BETWEEN

CULP, INC.

AND

INTERNATIONAL TEXTILE GROUP, INC.

Dated as of January 22, 2007

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REGISTRATION RIGHTS AND SHAREHOLDER AGREEMENT

This REGISTRATION RIGHTS AND SHAREHOLDER AGREEMENT (this "Agreement") is made and entered into this 22nd day of January, 2007 by and among CULP, INC., a North Carolina corporation (the "Company"), and INTERNATIONAL TEXTILE GROUP, INC., a Delaware corporation (the "Shareholder").

BACKGROUND STATEMENT

The Company and the Shareholder are parties to an Asset Purchase Agreement, dated as of January 11, 2007 (the "Asset Purchase Agreement"), pursuant to which the Company purchased certain assets of the Shareholder's mattress ticking business (the "Business"). As partial consideration for the purchase of the assets pursuant to the Asset Purchase Agreement, the Company issued _____ Common Shares (as defined below) to the Shareholder. The Company and the Shareholder now desire to enter into this Agreement to set forth certain agreements regarding the Company's obligation to register such Common Shares and the Shareholder's ownership of such Common Shares.

STATEMENT OF AGREEMENT

In consideration of the parties entering into the agreements and carrying out the transactions described in this Agreement, and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Affiliate" means with respect to any Person, each of the Persons that directly or indirectly, through one or more intermediaries, owns or controls, is controlled by or is under common control with, such Person. For the purpose of this Agreement, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies, whether through the ownership of voting securities, by contract or otherwise.

"Commission" means the United States Securities and Exchange Commission or any other United States agency at the time administering the Securities Act.

"Common Shares" means shares of common stock, par value \$.05 per share, of the Company.

"Exchange Act" means the Securities Exchange Act of 1934, or any successor United States statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Person" means an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization or other entity, a government or any department or agency thereof.

"Public Offering" means any primary or secondary public offering of Common Shares pursuant to an effective registration statement under the Securities Act other than a registration statement on a form registering the types of transactions generally eligible for registration on Form S-4 or S-8 or any successor or similar form.

"Public Sale" means any Public Offering or any sale of Common Shares to the public pursuant to Rule 144 effected through a broker or dealer.

"Registrable Securities" means (i) the Common Shares (and associated rights to purchase series A participating preferred stock of the Company) issued or issuable to the Shareholder and (ii) any securities issued or issuable with respect to any such Common Shares by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been distributed pursuant to such registration statement, (ii) such securities have been sold pursuant to Rule 144 under the Securities Act, (iii) such securities shall have been otherwise transferred and the subsequent disposition thereof shall not require registration or qualification under the Securities Act or any similar state law then in force or (iv) such securities shall have ceased to be outstanding.

"Registration Expenses" means all expenses incident to the Company's performance of or compliance with Article II, including, without limitation, (i) all registration, filing and NASD fees, (ii) all fees and expenses of complying with securities or blue sky laws, (iii) all word processing, duplicating and printing expenses, (iv) messenger and delivery expenses, (v) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (vi) fees and expenses of any Persons engaged by the Company to assist the Company in preparing or assisting in preparing any filings, agreements, and other documents contemplated hereby, (vii) the fees and disbursements of one counsel for the Shareholder (but only in respect of a registration effected pursuant to Section 2.1), (viii) premiums and other costs of policies of insurance against liabilities arising out of the public offering of the Registrable Securities being registered (if the Company elects to obtain any such insurance) and (ix) any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but excluding underwriting discounts and commissions and transfer taxes, if any.

"Rule 144" means Rule 144 promulgated by the Commission under the Securities Act as such rule may be amended from time to time, or any successor rule then in force.

"Securities Act" means the Securities Act of 1933, or any successor United States statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

ARTICLE II

REGISTRATION UNDER SECURITIES ACT

2.1 Registration on Request.

(a) Request. If at any time following the date of this Agreement, the Shareholder requests in writing that the Company effect the registration under the Securities Act of a specified number of the Registrable Securities held by it (which may be all or a portion of such Registrable Securities), specifying the intended method of disposition thereof, the Company, in accordance with the provisions of Section 2.3, will use its commercially reasonable efforts to effect the registration under the Securities Act of the Registrable Securities which the Company has been so requested to register for disposition in accordance with the intended method or methods of disposition stated in such request, to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of Registrable Securities so to be registered, and shall file the registration statement necessary to effect such registration as set forth herein. Subject to Section 2.1(f), the Company shall be required to effect only one registration pursuant to this Section 2.1(a).

(b) Effective Registration Statement. A registration requested pursuant to this Section 2.1 shall not be deemed to be effected for purposes of the last sentence of Section 2.1(a) (i) if a registration statement with respect thereto shall not have become effective within the time period specified herein, (ii) if, after it has become effective, such registration is terminated or withdrawn by the Company or is interfered with for any reason (excluding any postponement undertaken by the Company pursuant to the penultimate paragraph of Section 2.3) or by any stop order, injunction or other order or requirement of the Commission or any other governmental agency or any court, and the result of such interference is to prevent the Shareholder from disposing the Registrable Securities to be sold thereunder in accordance with the intended methods of disposition, or (iii) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with any underwritten registration shall not be satisfied or waived with the consent of the Shareholder, other than as a result of any breach by the Shareholder of its obligations thereunder or hereunder.

(c) Registration Statement Form. Registrations under this Section 2.1 shall be on such appropriate form of registration statement promulgated by the Commission as shall be selected by the Company and as shall permit the disposition of the Registrable Securities so to be registered in accordance with the intended method or methods of disposition specified in the request of the Shareholder for such registration. The Company agrees to include in any such registration statement all information which the Shareholder shall reasonably request.

(d) Expenses. The Company and the Shareholder will each pay 50% of all Registration Expenses in connection with any registration requested pursuant to this Section 2.1; provided, that the Shareholder shall not be responsible for such Registration Expenses under this Section 2.1 (together with any Registration Expenses paid by the Shareholder under Section 2.2) in excess of \$50,000.

(e) Selection of Underwriters. If a requested registration pursuant to this Section 2.1 involves a request by Shareholder for an underwritten offering, the managing underwriter or underwriters shall be selected by the Company's Board of Directors, subject to the approval of the Shareholder (which approval shall not be unreasonably withheld).

(f) Priority in Requested Registrations. If a requested registration pursuant to this Section 2.1 involves a request by Shareholder for an underwritten offering, and the managing underwriter shall advise the Company in writing (with a copy to the Shareholder) that, in its opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in such offering within a price range acceptable to the Company and the Shareholder, the Company will include in such registration to the extent of the number which the Company is so advised can be sold in such offering Registrable Securities requested to be included in such registration. In the event that less than 80% of Registrable Securities requested to be included in the registration statement are included pursuant to this Section 2.1(f), the Company shall be required to effect one, and only one, additional registration pursuant to Section 2.1(a); provided, however, that no request for such additional registration may be made by the Shareholder prior to the expiration of 180 days after its initial request under Section 2.1(a).

2.2 Incidental Registration.

(a) Right to Include Registrable Securities. If, at any time following the date of this Agreement, the Company proposes to register any of its securities under the Securities Act (other than by a registration on Form S-4 or S-8 or any successor or similar forms or filed in connection with an exchange offer, or any offering of securities solely to the Company's existing security holders, and other than pursuant to Section 2.1), whether or not for sale for its own account, the Company will at each such time give prompt confidential written notice to the Shareholder of its intention to do so and of the Shareholder's rights under this Section 2.2. Upon the written request of the Shareholder made within 20 days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by the Shareholder and the intended method of disposition thereof), the Company will, subject to the provisions of Section 2.2(c), use its commercially reasonable efforts to effect the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Shareholder, to the extent requisite to permit the disposition (in accordance with the intended methods thereof) of the Registrable Securities so to be registered; provided, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to the Shareholder and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities.

(b) Expenses. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities requested pursuant to this Section 2.2.

(c) Priority in Incidental Registrations. If a registration pursuant to this Section 2.2 involves an underwritten offering, and the managing underwriter shall advise the Company in writing, that, in its opinion, the number of securities requested and otherwise proposed to be included in such registration exceeds the number which can be sold in such offering (and, in the case of a Company Offering, within a price range reasonably acceptable to the Company), or that the kind of securities requested or otherwise proposed to be included in such registration statement would materially and adversely affect the success of such offering, the Company will include in such registration, to the extent of the number which the Company is so advised can be sold in such offering, (i) if the registration includes securities to be offered by the Company, (A) first, the securities proposed to be registered by the Company, (B) second, Registrable Securities requested to be included in such registration by the Shareholder; and (C) third, securities of other Persons, if any, requested to be included in such registration pro rata in accordance with the numbers of other securities proposed to be registered by the other Persons or otherwise allocated among such other Persons in such proportion as such holders and the Company shall agree, and (ii) if the registration is a secondary registration on behalf of other Persons, the Registrable Securities and securities of other Persons included in such registration pro rata in accordance with the numbers of Registrable Securities requested to be included by the Shareholder and the numbers of other securities proposed to be registered by the other Persons. Without the written consent of the Shareholder, the Company will not grant any registration rights inconsistent with the provisions of this Section 2.2. In the event a contemplated distribution does not involve an underwritten public offering, the determinations contemplated by this Section 2.2 shall be made by the Company's Board of Directors in good faith.

2.3 Registration Procedures. If and whenever the Company is required to use commercially reasonable efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2.1 and 2.2, the Company will as expeditiously as possible:

(a) use commercially reasonable efforts to prepare and within 45 days thereafter file with the Commission the requisite registration statement to effect such registration, and thereafter use its commercially reasonable efforts to cause such registration statement to become effective within 60 days after filing; provided, that before filing such registration statement or any amendments thereto, the Company will furnish to the Shareholder copies of all such documents proposed to be filed;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement continuously effective for a period of either (i) not more than two years (subject to extension pursuant to the last paragraph of this Section 2.3) or, if such registration statement relates to an underwritten offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer or (ii) such shorter period as will terminate when all of the securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement (but in any event not before the expiration of any longer period required under the Securities Act), and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish to the Shareholder such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents in order to facilitate the disposition of the Registrable Securities owned by the Shareholder, as the Shareholder may reasonably request;

(d) use its commercially reasonable efforts to register or qualify such Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as the Shareholder shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect and to take any other action which may be reasonably necessary or advisable to enable the Shareholder to consummate the disposition of the securities in such jurisdictions; provided, that the Company shall not for any such purpose be required to (i) qualify generally to do business as a foreign corporation in any jurisdiction where it would not otherwise be required to qualify but for the requirements of this Section 2.3(d), (ii) consent to general service of process in any such jurisdiction or (iii) subject itself to taxation in such jurisdiction;

(e) use its commercially reasonable efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the Shareholder to consummate the disposition of such Registrable Securities;

(f) promptly notify the Shareholder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the discovery of the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of the Shareholder prepare and furnish to the Shareholder a copy of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(g) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of at least 12 months, but not more than 18 months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act, and will furnish to the Shareholder at least five business days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus;

(h) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement;

(i) obtain one or more comfort letters, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting), signed by the Company's independent public accountants in customary form and covering such matters customarily covered by comfort letters as the Shareholder reasonably requests (provided that such Registrable Securities constitute at least 10% of the securities covered by such registration statement); and

(j) obtain a legal opinion of the Company's counsel, dated the effective date of such registration statement (or, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement) as required by the underwriters, if any, or, if such registration does not include an underwritten public offering, in customary form and covering such matters customarily covered by opinion letters as the Shareholder reasonably requests.

The Shareholder shall furnish the Company with such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request, including, without limitation, any financial information that the Shareholder has or has used in the Business to assist the Company in the preparation of financial statements, if any, that are required pursuant to the Commission's rules and regulations, within a reasonable time prior to the Company's preparation of a registration statement with respect to the Registrable Securities or any other filing that the Company is required to make with the Commission.

The Shareholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.3(f), the Shareholder will promptly discontinue the Shareholder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until the Shareholder's receipt of the supplemented or amended prospectus contemplated by Section 2.3(f) and, if so directed by the Company, the Shareholder will use its reasonable efforts to deliver to the Company all copies, other than permanent file copies then in the Shareholder's possession, of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. In addition, the Company may postpone the filing or effectiveness of a registration, or suspend the use of a registration statement, upon written notice to the Shareholder (which notice need not disclose the reason for such postponement or suspension), for a period not to exceed 90 days, if the Company reasonably believes that such registration might reasonably be expected to have a material adverse effect on any proposal or plan to engage in any material acquisition of assets or capital stock or any material merger, consolidation, tender offer or similar transaction or would otherwise require disclosure of material, nonpublic information which the Board of Directors of the Company reasonably determines should not be disclosed. In the event the Company shall give any such notice, the applicable time periods set forth above regarding the filing and effectiveness of registration statements required hereunder shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when the Shareholder shall have received the supplemented or amended prospectus contemplated by Section 2.3(f) or the end of the postponement or suspension period (which, if not specified in the Company's notice of such postponement or suspension, the Company shall promptly provide upon the termination of the event giving rise to the postponement or suspension). The Shareholder agrees that, during any period during which the use of a registration statement is suspended, it shall not make any offers or sales of Registrable Securities under such registration statement.

In the event that a registration statement covering the Registrable Securities is not declared effective by the Commission within eight months of the date hereof, the provisions of Article III and Article IV shall no longer apply. Without limiting the remedies available to the Shareholder, the Company acknowledges that any failure to comply with its obligations hereunder may result in material irreparable injury to the Shareholder for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such default, the Shareholder may obtain such relief as may be required to specifically enforce the Company's obligations hereunder.

2.4 Underwritten Offerings.

(a) Requested Underwritten Offerings. If requested by the underwriters for any underwritten offering of Registrable Securities pursuant to a registration requested under Section 2.1, the Company will enter into an underwriting agreement with such underwriters for such offering. Such agreement shall be reasonably satisfactory in substance and form to the Shareholder and the underwriters and shall contain such representations and warranties by the Company and by the Shareholder and such other terms as are generally prevailing in agreements of this type, including, without limitation, indemnities to the effect and to the extent provided in Section 5.2.

(b) Incidental Underwritten Offerings. If the Company at any time proposes to register any of its securities under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more underwriters, (i) the managing underwriter or underwriters shall be selected by the Company, and (ii) the Company will, if requested by the Shareholder as provided in Section 2.2, and subject to the provisions of Section 2.2(b), use its commercially reasonable efforts to arrange for such underwriters to include all the Registrable Securities to be offered and sold by the Shareholder among the securities to be distributed by such underwriters.

(c) Holdback. The Shareholder agrees for the benefit of the Company not to effect any Public Sale or distribution of any equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Securities Act (or any similar provision then in force), during the 10 days before and the 180 days after any underwritten registration pursuant to Section 2.1 or 2.2 has become effective, except as part of such underwritten registration.

2.5 Preparation; Reasonable Investigation. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company will give the Shareholder, its underwriters, if any, and their respective counsel and accountants reasonable opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of the Company, to conduct a reasonable investigation within the meaning of the Securities Act.

2.6 Participation in Underwritten Registrations. No Person may participate in any underwritten registration hereunder unless such Person agrees to sell such Person's securities on the basis provided in any underwriting arrangements reasonably approved by the Company.

2.7 Adjustments Affecting Registrable Securities. The Company will not effect or permit to occur any combination or subdivision of shares or other actions which would adversely affect the ability of the Shareholder to include Registrable Securities in any registration of its securities contemplated by this Article II or the marketability of Registrable Securities under any such registration.

ARTICLE III

STANDSTILL AGREEMENT

3.1 No Purchase of Additional Securities. The Shareholder agrees that, without the consent of the Company, for so long as it owns any Common Shares, neither it nor any of its Affiliates will (a) effect, or seek, offer or propose (whether publicly or otherwise) to effect, or announce any intention to effect, or cause or participate in or in any way assist, facilitate or encourage any other Person (other than the Company) to effect or seek, offer or propose (whether publicly or otherwise) to effect or participate in, (i) any acquisition of any securities (or beneficial ownership thereof), or rights or options to acquire any securities (or beneficial ownership thereof), or any assets, indebtedness or businesses of the Company or any of its subsidiaries, (ii) any tender or exchange offer, merger or other business combination involving the Company, any of the subsidiaries or assets of the Company or the subsidiaries thereof constituting a significant portion of the consolidated assets of the Company and its subsidiaries, (iii) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to the Company or any of its subsidiaries, or (iv) any "solicitation" of "proxies" (as such terms are used in the proxy rules promulgated by the Commission) or consents to vote any voting securities of the Company or any of its subsidiaries (each of (i)-(iv), a "Standstill Transaction"); (b) form, join or in any way participate in a "group" (as defined under the Exchange Act) with respect to a Standstill Transaction; (c) otherwise act, alone or in concert with others, to seek representation on or to control or influence the management, Board of Directors or policies of the Company or to obtain representation on the Board of Directors of the Company; (d) take any action which would or would reasonably be expected to force the Company to make a public announcement regarding any Standstill Transaction; or (e) enter into any discussions or arrangements with any third party with respect to any of the foregoing.

ARTICLE IV

VOTING AGREEMENT

4.1 Voting Agreement and Grant of Proxy. The Shareholder agrees with the Company that for so long as the Shareholder owns or has the power, directly or indirectly, to vote Common Shares, it will vote or cause to be voted on each matter at each annual or special meeting of shareholders of the Company all such Common Shares owned by it or over which it has the power, directly or indirectly, to vote in accordance with the recommendation of the Board of Directors of the Company on such matter as such recommendation is included in the most recent proxy statement or supplement distributed by the Company in connection with such shareholders meeting. To effect the foregoing agreement, the Shareholder hereby appoints the Company as its proxy, with the power to appoint a substitute, and hereby authorizes the Company to represent and to vote in accordance with its agreement set forth in the immediately preceding sentence all Common Shares held of record by the Shareholder on the record date for each such meeting of shareholders of the Company or any adjournment thereof. This appointment of proxy shall be irrevocable and is coupled with the Shareholder's agreement set forth in the first sentence of this Section 4.1. The Shareholder will take such further action to execute such other instruments as may be necessary to effectuate the intent of this proxy and hereby revokes any proxy previously granted by the Shareholder with respect to any Common Shares held by it.

ARTICLE V

MISCELLANEOUS

5.1 Other Registration Rights. Notwithstanding anything to the contrary in this Agreement the Company shall be permitted to grant to any Person the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities; provided that to the extent the Company grants, prior to effecting a registration pursuant to Section 2.1(a), any registration rights to any Person that are more favorable to such Person than the rights of the Shareholder contained herein, the Company shall concurrently grant such rights to the Shareholder.

5.2 Indemnification.

(a) Indemnification by the Company. In the event of any registration of any securities of the Company under the Securities Act pursuant to this Article II, the Company will, and hereby does, indemnify and hold harmless, the Shareholder, its directors, officers, agents and employees and each other Person, if any, who controls the Shareholder within the meaning of the Securities Act and Exchange Act, and any underwriters, against any losses, claims, damages, liabilities or expenses, joint or several, to which such Persons may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, liabilities or expenses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained (x) in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein or used in connection with the offering of securities covered thereby, or any amendment or supplement thereto or any document included by reference therein, or (y) in any application or other document or communication (in this Section 5.2 collectively called an "application") executed by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify any securities covered by such registration statement under the "blue sky" or securities laws thereof or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse such Persons for any legal or any other expenses incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission, made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement or in any application, in reliance upon and in conformity with written information prepared and furnished to the Company by the Shareholder that contains any untrue statement of any material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Company shall not be obligated to pay the fees and expenses of more than one counsel or

firm of counsel for all parties indemnified in respect of a claim for each jurisdiction in which such counsel is required, unless in the reasonable judgment of such counsel a conflict of interest may exist between such indemnified party and any other indemnified party in respect of such claim.

(b) Indemnification by the Shareholder. The Company may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Article II, that the Company shall have received an undertaking satisfactory to it from the Shareholder to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 5.2(a)) the Company, each director of the Company, each officer of the Company and each other Person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any application, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information prepared and furnished to the Company by the Shareholder that contains any untrue statement of any material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in the preceding subdivisions of this Section 5.2, such indemnified party will, if a claim in respect thereof is made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 5.2, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which includes any admission of liability of such indemnified party or which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) Indemnification Payments. The indemnification required by this Section 5.2 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred, subject to refund if the party receiving such payments is subsequently found not to have been entitled thereto hereunder.

(e) If the indemnification provided for in Section 5.2(a) or (b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then each indemnifying party under such Section, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Shareholder shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Shareholder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Shareholder agree that it would not be just or equitable if contribution pursuant to this Section 5.2(e) were determined by pro rata allocation or by any other method of allocation that does not take account of the foregoing equitable considerations. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5.2(e), the Shareholder shall not be required to indemnify or contribute any amount in excess of the net proceeds received by the Shareholder in connection with the sale of the Registrable Securities sold by such Holder. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of fraudulent misrepresentation.

(f) The indemnity and contribution provisions contained in this Section 5.2 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Shareholder or any Person controlling the Shareholder, or by or on behalf of the Company, its officers or directors or any Person controlling the Company, and (iii) any sale of Registrable Securities pursuant to a registration statement

5.3 Amendments and Waivers. This Agreement may be amended, modified or supplemented only by written agreement of the Shareholder and the Company.

5.4 Assignment; No Third-Party Rights. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but, except as expressly permitted herein, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by the Company without the prior written consent of the Shareholder. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by the Shareholder, except that the Shareholder may collaterally assign its interest in this Agreement to its primary lender or lenders under the Shareholder's primary credit facility to secure its obligations under such facility. To the extent any such purchaser acquires Registrable Securities, such purchaser shall be deemed to be a Shareholder hereunder and all references herein to "the Shareholder" shall be deemed to be "the Shareholders", and all actions that may be taken by the Shareholder shall be effected by the act of holders of a majority of Registrable Securities acquired pursuant to the Asset Purchase Agreement, and all liabilities of the Shareholder and such purchasers shall be joint and not several. This Agreement and its provisions are for the sole benefit of the parties to this Agreement and their successors and permitted assigns and shall not give any other Person any legal or equitable right, remedy or claim.

5.5 Notices. All communications provided for hereunder shall be in writing and shall be delivered personally or by telecopy or sent by first-class mail and addressed to each party at the address listed below:

If to the Shareholder:

International Textile Group, Inc.
804 Green Valley Road
Suite 300
Greensboro, North Carolina 27408
Attn: Gary L. Smith
Facsimile: (336) 379-6972
Copy to: Neil Koonce, Esq.
Facsimile: (336) 379-6972

If to the Company:

Culp, Inc.
1823 Eastchester Drive
High Point, North Carolina 27265
Attention: Franklin N. Saxon
Facsimile: (336) 887-7089

with copies to:

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

5.6 Binding Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

5.7 Descriptive Headings. The descriptive headings of the several sections and paragraphs of this Agreement are inserted for reference only and shall not limit or otherwise affect the meaning hereof.

5.8 Specific Performance. The parties hereto recognize and agree that money damages may be insufficient to compensate for breaches of the terms hereof and, consequently, that the equitable remedy of specific performance of the terms hereof will be available in the event of any such breach.

5.9 Governing Law. The execution, interpretation and performance of this Agreement shall be governed by the internal laws and judicial decisions of the State of North Carolina, without regard to principles of conflicts of laws.

5.10 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

5.11 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby.

5.12 Entire Agreement. This Agreement is intended by the parties hereto as a final expression of their agreement and intended to be a complete and exclusive statement of their agreement and understanding in respect to the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the date first above written.

CULP, INC.

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

INTERNATIONAL TEXTILE GROUP, INC.

By: /s/ Gary L. Smith
Name: Gary L. Smith
Title: EVP and CFO

[Signature Page to Registration Rights and Shareholder Agreement]

PROMISSORY NOTE

\$2,500,000.00

January 22, 2007

CULP, INC.
1823 East Chester Drive
High Point, North Carolina 27265
(hereinafter referred to as "Borrower")

WACHOVIA BANK, NATIONAL ASSOCIATION
Charlotte, North Carolina 28202
(hereinafter referred to as "Bank")

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, at its office indicated above or wherever else Bank may specify, the sum of Two Million, Five Hundred Thousand and No/100 Dollars (\$2,500,000.00) or such sum as may be advanced and outstanding from time to time, with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

LOAN AGREEMENT. This Note is subject to the provisions of that certain Amended and Restated Credit Agreement between Bank and Borrower dated August 23, 2002, as now or hereafter modified from time to time (the "Credit Agreement").

USE OF PROCEEDS. Borrower shall use the proceeds of the loan(s) evidenced by this Note for the commercial purposes of Borrower, as follows: To provide funding for the acquisition by Borrower of the mattress ticking assets of International Textile Group Inc.

SECURITY. Borrower has granted Bank a lien and security interest in the collateral described in the Loan Documents, including, but not limited to, real and personal property collateral described in that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated October 25, 2005, and recorded in Book 6423, at Page 328, Guilford County Registry (the "Deed of Trust").

INTEREST RATE. Interest shall accrue on the unpaid principal balance of this Note during each Interest Period from the date hereof at a rate per annum equal to 1-month LIBOR plus 3.0% ("Interest Rate"). Interest for each Interest Period shall accrue each day during such Interest Period, commencing on and including the first day to but excluding the last day. "Interest Period" means each period commencing on the last day of the immediately preceding Interest Period and ending on the same day of the month that interest is due 1 month thereafter; provided (i) the first Interest Period shall commence on the date hereof and end on the first day thereafter that interest is due, (ii) any Interest Period that ends in a month for which there is no day which numerically corresponds to the last day of the immediately preceding Interest Period shall end on the last day of the month and (iii) any Interest Period that would otherwise extend past the maturity date of this Note shall end on the maturity date of this Note. "LIBOR" means, with respect to each Interest Period, the rate for U.S. dollar deposits with a maturity equal to the number of months specified above, as reported on Telerate page 3750 as of 11:00 a.m., London time, on the second London business day before such Interest Period begins (or if not so reported, then as determined by the Bank from another recognized source or interbank quotation).

INDEMNIFICATION. Borrower shall indemnify Bank against Bank's loss or expense as a consequence of (a) Borrower's failure to make any payment when due under this Note, (b) any payment, prepayment or conversion of any loan on a day other than the last day of the Interest Period, or (c) any failure to make a borrowing or conversion after giving notice thereof ("Indemnified Loss or Expense"). The amount of such Indemnified Loss or Expense shall be determined by Bank based upon the assumption that Bank funded 100% of that portion of the loan in the London interbank market.

DEFAULT RATE. In addition to all other rights contained in this Note, if a Default (as defined herein) occurs and as long as a Default continues, all outstanding Obligations, other than Obligations under any swap agreements (as defined in 11 U.S.C. ss. 101, as in effect from time to time) between Borrower and Bank or its affiliates, shall bear interest at the Interest Rate plus 3% ("Default Rate"). The Default Rate shall also apply from acceleration until the

Obligations or any judgment thereon is paid in full.

INTEREST AND FEE(S) COMPUTATION (ACTUAL/360). Interest and fees, if any, shall be computed on the basis of a 360-day year for the actual number of days in the applicable period ("Actual/360 Computation"). The Actual/360 Computation determines the annual effective yield by taking the stated (nominal) rate for a year's period and then dividing said rate by 360 to determine the daily periodic rate to be applied for each day in the applicable period. Application of the Actual/360 Computation produces an annualized effective interest rate exceeding the nominal rate.

REPAYMENT TERMS. This Note shall be due and payable in consecutive monthly payments of accrued interest only, commencing on February 25, 2007 ("Payment Commencement Date"), and continuing on the same day of each month thereafter until fully paid. In any event, all principal and accrued interest shall be due and payable on June 30, 2010 (the "Maturity Date").

AUTOMATIC DEBIT OF CHECKING ACCOUNT FOR LOAN PAYMENT. Borrower authorizes Bank to debit demand deposit account number 2040231023238 or any other account with Bank (routing number 0543000219) designated in writing by Borrower, beginning on the Payment Commencement Date for any payments due under this Note. Borrower further certifies that Borrower holds legitimate ownership of this account and preauthorizes this periodic debit as part of its right under said ownership.

COMMITMENT FEE. Borrower shall pay to Bank a commitment fee of \$10,000.00 on the date hereof, which fee, once paid, shall be fully earned and non-refundable.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of the Obligations shall be applied to accrued interest and then to principal. If a Default occurs, monies may be applied to the Obligations in any manner or order deemed appropriate by Bank.

If any payment received by Bank under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or other Loan Documents as though such payment had not been made.

DEFINITIONS. Loan Documents. The term "Loan Documents", as used in this Note and the other Loan Documents, refers to this Note, the Deed of Trust, the Credit Agreement, and all documents executed in connection with or related to the loan evidenced by this Note and any prior notes which evidence all or any portion of the loan evidenced by this Note, and any letters of credit issued pursuant to the Credit Agreement to which this Note is subject, any applications for such letters of credit and any other documents executed in connection therewith or related thereto, and may include, without limitation, a commitment letter that survives closing, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in 11 U.S.C. ss. 101, as in effect from time to time). Obligations. The term "Obligations", as used in this Note and the other Loan Documents, refers to any and all indebtedness and other obligations under this Note, all other obligations under any other Loan Document(s), and all obligations under any swap agreements (as defined in 11 U.S.C. ss. 101, as in effect from time to time) between Borrower and Bank, or its affiliates, whenever executed. Certain Other Terms. All terms that are used but not otherwise defined in any of the Loan Documents shall have the definitions provided in the Uniform Commercial Code.

LATE CHARGE. If any payments are not timely made, Borrower shall also pay to Bank a late charge equal to 4% of each payment past due for 15 or more days. This late charge shall not apply to payments due at maturity or by acceleration hereof, unless such late payment is in an amount not greater than the highest periodic payment due hereunder.

Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses actually incurred to enforce or collect any of the Obligations including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. If at any time the effective interest rate under this Note would, but for this paragraph, exceed the maximum lawful rate, the effective interest rate under this Note shall be the maximum lawful rate, and any amount received by Bank in excess of such rate shall be applied to principal and then to fees and expenses, or, if no such amounts are owing, returned to Borrower.

DEFAULT. If any of the following occurs, a default ("Default") under this Note shall exist: Nonpayment; Nonperformance. The failure of timely payment or performance of the Obligations or Default under this Note or any other Loan Documents. False Warranty. A warranty or representation made or deemed made in the Loan Documents or furnished Bank in connection with the loan evidenced by this Note proves materially false, or if of a continuing nature, becomes materially false. Cross Default. At Bank's option, any default in payment or performance of any obligation under the Credit Agreement or Deed of Trust (or any other note secured by the Deed of Trust).

REMEDIES UPON DEFAULT. If a Default occurs under this Note or any Loan Documents, Bank may at any time thereafter, take the following actions: Bank Lien. Foreclose its security interest or lien against Borrower's deposit accounts and investment property without notice. Acceleration Upon Default. Accelerate the maturity of this Note and, at Bank's option, any or all other Obligations, other than Obligations under any swap agreements (as defined in 11 U.S.C. ss. 101, as in effect from time to time) between Borrower and Bank, or its affiliates, which shall be due in accordance with and governed by the provisions of said swap agreements; whereupon this Note and the accelerated Obligations shall be immediately due and payable; provided, however, if the Default is based upon a bankruptcy or insolvency proceeding commenced by or against Borrower or any guarantor or endorser of this Note, all Obligations (other than Obligations under any swap agreement as referenced above) shall automatically and immediately be due and payable. Cumulative. Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank the financial information, in each instance prepared in accordance with generally accepted accounting principles consistently applied and otherwise in form (with original signatures) and substance satisfactory to Bank, as and when required to be delivered by Borrower to Bank in accordance with the provisions of the Credit Agreement (whether or not the Credit Agreement has terminated).

FINANCIAL COVENANTS. Borrower shall comply in all respects with the financial covenants contained in the Credit Agreement (whether or not the Credit Agreement has terminated).

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Except to the extent otherwise provided by the Loan Documents or prohibited by law, each Borrower and each other person liable under this Note waives presentment, protest, notice of dishonor, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may (i) extend, modify or renew this Note or make a novation of the loan evidenced by this Note, and/or (ii) grant releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to any Borrower or other person liable under this Note or any other Loan Documents, all without notice to or consent of each Borrower and other such person, and without affecting the liability of each Borrower and other such person; provided, Bank may not extend, modify or renew this Note or make a novation of the loan evidenced by this Note without the consent of the Borrower, or if there is more than one Borrower, without the consent of at least one Borrower; and further provided, if there is more than one Borrower, Bank may not enter into a modification of this Note which increases the burdens of a Borrower without the consent of that Borrower.

MISCELLANEOUS PROVISIONS. Assignment. This Note and the other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Note and the other Loan Documents are freely assignable, in whole or in part, by Bank. In addition, nothing in this Note or any of the other Loan Documents shall prohibit Bank from pledging or assigning this Note or any of the other Loan Documents or any interest therein to any Federal Reserve Bank. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations. Organization; Powers. Borrower represents that Borrower (i) is a corporation duly organized, validly existing and in good standing under the laws of its state of organization, and is authorized to do business in each other jurisdiction wherein its ownership of property or conduct of business legally requires such organization; (ii) has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated; and (iii) has the power and authority to execute, deliver and perform, and by all necessary action has authorized the execution, delivery and performance of, all of its obligations under this Note and any other Loan Document to which it is a party. Compliance with Laws. Borrower represents that Borrower and any subsidiary and affiliate of Borrower and any guarantor are in compliance in all respects with all federal, state and local laws, rules and regulations applicable to its properties, operations, business, and finances, including, without limitation, any federal or state laws relating to liquor (including 18 U.S.C. ss. 3617, et seq.) or narcotics (including 21 U.S.C. ss. 801, et seq.) and/or any commercial crimes; all applicable federal, state and local laws and regulations intended to protect the environment; and the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if applicable. None of Borrower, or any subsidiary or affiliate of Borrower or any guarantor is a Sanctioned Person or has any of its assets in a Sanctioned Country or does business in or with, or derives any of its operating income from investments in or transactions with, Sanctioned Persons or Sanctioned Countries in violation of economic sanctions administered by OFAC. The proceeds from the Loan will not be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Country. "OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control. "Sanctioned Country" means a country subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/>, or as otherwise published from time to time. "Sanctioned Person" means (i) a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at

<http://www.treas.gov/offices/enforcement/ofac/sdn/>, or as otherwise published from time to time, or (ii) (A) an agency of the government of a Sanctioned Country, (B) an organization controlled by a Sanctioned Country, or (C) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC. Applicable Law; Conflict Between Documents. This Note and, unless otherwise provided in any other Loan Document, the other Loan Documents shall be governed by and interpreted under the laws of the state named in Bank's address on the first page hereof without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of any loan agreement or any commitment letter that survives closing, the terms of this Note shall control. Borrower's Accounts. Except as prohibited by law, Borrower grants Bank a security interest in all of Borrower's deposit accounts and investment property with Bank and any of its affiliates. Swap Agreements. All swap agreements (as defined in 11 U.S.C. ss. 101, as in effect from time to time), if any, between Borrower and Bank or its affiliates are independent agreements governed by the written provisions of said swap agreements, which will remain in full force and effect, unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of this Note, except as otherwise expressly provided in said written swap agreements, and any payoff statement from Bank relating to this Note shall not apply to said swap agreements except as otherwise expressly provided in such payoff statement. Jurisdiction. Borrower irrevocably agrees to non-exclusive personal jurisdiction in the state identified as the Jurisdiction above. Severability. If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document. Notices. Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder, and to Bank, if in writing and mailed or delivered to Wachovia Bank, National Association, Mail Code VA7628, P. O. Box 13327, Roanoke, VA 24040 or Wachovia Bank, National Association, Mail Code VA7628, 10 South Jefferson Street, Roanoke, VA 24011 or such other address as Bank may specify in writing from time to time. Notices to Bank must include the mail code. In the event that Borrower changes Borrower's address at any time prior to the date the Obligations are paid in full, Borrower agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. Plural; Captions. All references in the Loan Documents to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents. Advances. Bank may, in its sole discretion, make other advances which shall be deemed to be advances under this Note, even though the stated principal amount of this Note may be exceeded as a result thereof. Posting of Payments. All payments received during normal banking hours after 2:00 p.m. local time at the office of Bank first shown above shall be deemed received at the opening of the next banking day. Joint and Several Obligations. If there is more than one Borrower, each is jointly and severally obligated together with all other parties obligated for the Obligations. Fees and Taxes. Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time. LIMITATION ON LIABILITY; WAIVER OF PUNITIVE DAMAGES. EACH OF THE PARTIES HERETO, INCLUDING BANK BY ACCEPTANCE HEREOF, AGREES THAT IN ANY JUDICIAL, MEDIATION OR ARBITRATION PROCEEDING OR ANY CLAIM OR CONTROVERSY BETWEEN OR AMONG THEM THAT MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN OR AMONG THEM OR THE OBLIGATIONS EVIDENCED HEREBY OR RELATED HERETO, IN NO EVENT SHALL ANY PARTY HAVE A REMEDY OF, OR BE LIABLE TO THE OTHER FOR, (1) INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR (2) PUNITIVE OR EXEMPLARY DAMAGES. EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY MAY HAVE OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY SUCH PROCEEDING, CLAIM OR CONTROVERSY, WHETHER THE SAME IS RESOLVED BY ARBITRATION, MEDIATION, JUDICIALLY OR OTHERWISE. Patriot Act Notice. To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For purposes of this section, account shall be understood to include loan accounts. Final Agreement. This Note and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any claim or controversy arising out of or relating to the Loan Documents between parties hereto (a "Dispute") shall be resolved by binding arbitration conducted under and governed by the Commercial

Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. Disputes may include, without limitation, tort claims, counterclaims, a dispute as to whether a matter is subject to arbitration, or claims arising from documents executed in the future, but shall specifically exclude claims brought as or converted to class actions. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements. Special Rules. All arbitration hearings shall be conducted in the city named in the address of Bank first stated above. A hearing shall begin within 90 days of demand for arbitration and all hearings shall conclude within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of 60 days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000.00. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties do not waive applicable Federal or state substantive law except as provided herein. Preservation and Limitation of Remedies. Notwithstanding the preceding binding arbitration provisions, the parties agree to preserve, without diminution, certain remedies that any party may exercise before or after an arbitration proceeding is brought. The parties shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale or under applicable law by judicial foreclosure including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Any claim or controversy with regard to any party's entitlement to such remedies is a Dispute. Waiver of Jury Trial. THE PARTIES ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED ANY RIGHT THEY MAY HAVE TO JURY TRIAL WITH REGARD TO A DISPUTE AS TO WHICH BINDING ARBITRATION HAS BEEN DEMANDED.

IN WITNESS WHEREOF, Borrower, on the day and year first above written, has caused this Note to be duly executed under seal.

CULP, INC.

(SEAL)

By: /s/ Kenneth R. Bowling

Name: Kenneth R. Bowling, Title: Vice President, Finance & Treasurer

TENTH AMENDMENT TO AMENDED AND
RESTATED CREDIT AGREEMENT

THIS TENTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT ("Tenth Amendment") is made as of the 22 day of January, 2007, by and between CULP, INC., a North Carolina corporation (together with its successors and permitted assigns, the "Borrower"), and WACHOVIA BANK, NATIONAL ASSOCIATION (formerly, Wachovia Bank, N.A.), a national banking association, as Agent and as a Bank (together with its endorsees, successors and assigns, the "Bank").

BACKGROUND

The Borrower and the Bank entered into an Amended and Restated Credit Agreement, dated as of August 23, 2002, as amended by Second Amendment to Amended and Restated Credit Agreement (the "Second Amendment"), dated as of June 3, 2003, by Third Amendment to Amended and Restated Credit Agreement (the "Third Amendment"), dated as of August 23, 2004, by Fourth Amendment to Amended and Restated Credit Agreement ("Fourth Amendment"), dated as of December 7, 2004, by Fifth Amendment to Amended and Restated Credit Agreement ("Fifth Amendment") dated as of February 18, 2005, by Sixth Amendment to Amended and Restated Credit Agreement ("Sixth Amendment"), dated as of August 30, 2005, by Seventh Amendment to Amended and Restated Credit Agreement ("Seventh Amendment"), dated as of December 7, 2005, by Eighth Amendment to Amended and Restated Credit Agreement ("Eighth Amendment"), dated as of January 29, 2006, and by Ninth Amendment to Amended and Restated Credit Agreement, dated as of July 20, 2006 ("Ninth Amendment") (it being acknowledged by the parties hereto that the proposed First Amendment to Amended and Restated Credit Agreement, which had been under discussion in March 2003, was never executed by the parties and is of no force or effect; otherwise, such agreement, as amended by the Second Amendment, Third Amendment, Fourth Amendment, Fifth Amendment, Sixth Amendment, Seventh Amendment, Eighth Amendment, and Ninth Amendment and as it may be further amended, restated, supplemented and/or modified, shall be referred to herein as the "Credit Agreement"). Terms used herein and not herein defined shall have the meanings given to them in the Credit Agreement.

The Borrower has now requested additional amendments to the provisions of the Credit Agreement, which the Bank is willing to accommodate subject to the terms, provisions and conditions set forth in this Tenth Amendment.

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

1. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) The following definition in Section 1.01 is hereby amended and restated in its entirety to read as follows:

"Termination Date" means whichever is applicable of (i) December 31, 2007, (ii) the date the Commitments are terminated pursuant to Section 6.01 following the occurrence of an Event of Default, or (iii) the date the Borrower terminates the Commitments entirely pursuant to Section 2.08.

(b) The definition of "Existing Letters of Credit" set forth in Section 1.01 is hereby amended by deleting clause (iv), which was added to such definition by the Sixth Amendment, and by inserting in lieu thereof a new clause (iv) which shall read as follows:

"(iv) those additional letters of credit which have been issued by the Bank for the account of the Borrower prior to the date of this Tenth Amendment and which remain outstanding on the date of this Tenth Amendment."

(c) The aggregate amount of the Commitment of the Bank and the aggregate amount of the Total Commitments, each as set forth on page 62 of the Credit Agreement, are hereby reduced to \$6,500,000.00.

(d) Section 5.24 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Section 5.24 Capital Expenditures. Aggregate Capital Expenditures for any Fiscal Year will not exceed \$3,000,000.00."

(e) Section 5.26 of the Credit Agreement entitled "Liquidity Requirement" is hereby deleted in its entirety.

(f) Section 5.27 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Section 5.27. Minimum EBITDA. EBITDA, for the following Fiscal Quarters of Fiscal Year 2007 shall equal or exceed the following amounts:

Fiscal Quarter Ending January 28, 2007	\$10,000,000
Fiscal Quarter Ending April 29, 2007	\$11,000,000
Fiscal Quarter Ending July 29, 2007	\$11,500,000
Fiscal Quarter Ending October 28, 2007 and for all Fiscal Quarters thereafter	\$12,500,000."

2. Further Assurances. The Borrower will execute such confirmatory instruments, if any, with respect to the Credit Agreement and this Tenth Amendment as the Bank may reasonably request.

3. Ratification by Borrower. The Borrower ratifies and confirms all of its representations, warranties, covenants, liabilities and obligations under the Credit Agreement (except as expressly modified by this Tenth Amendment) and agrees that: (i) except as expressly modified by this Tenth Amendment, the Credit Agreement continues in full force and effect as if set forth specifically herein; and (ii) the Borrower has no right of setoff, counterclaim or defense to payment of its obligations under the Credit Agreement. The Borrower and the Bank agree that this Tenth Amendment shall not be construed as an agreement to extinguish the Borrower's obligations under the Credit Agreement or the Notes and shall not constitute a novation as to the obligations of the Borrower under the Credit Agreement or the Notes. The Bank hereby expressly reserves all rights and remedies it may have against all parties who may be or may hereafter become secondarily liable for the repayment of the obligations under the Credit Agreement or the Notes.

4. Amendments. This Tenth Amendment may not itself be amended, changed, modified, altered, or terminated without in each instance the prior written consent of the Bank. This Tenth Amendment shall be construed in accordance with and governed by the laws of the State of North Carolina.

5. Counterparts. This Tenth Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement.

6. Bank's Expenses. In accordance with Section 9.03 of the Credit Agreement, Borrower hereby acknowledges and agrees to pay all reasonable out-of-pocket expenses incurred by the Bank in connection with the preparation of this Tenth Amendment, including without limitation reasonable attorneys' fees.

[Signature Page Follows]

IN WITNESS WHEREOF, this Tenth Amendment has been duly executed under seal by Borrower and Bank as of the day and year first above written.

BORROWER:

CULP, INC. (SEAL)

By: /s/ Kenneth R. Bowling
Name: Kenneth R. Bowling
Title: Vice President, Finance & Treasurer

BANK:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Agent and as Bank (SEAL)

By: /s/ Matthew M. Rankin
Name: Matthew M. Rankin
Title: Senior Vice President