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

FORM 8-K

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

Date of Report (Date of earliest event reported) March 31, 2020

Culp, Inc.
(Exact Name of Registrant as Specified in its Charter)

North Carolina	1-12597	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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, par value $0.05 per share	CULP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

This report and the exhibit attached hereto contain "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 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements, except as required by law, to reflect any changes in management's expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "anticipate," "estimate," "plan," "project," and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, or future developments. There can be no assurance that the company will realize these expectations, meet its guidance, or that these beliefs will prove correct.

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 our 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 us adversely. The future performance of our business depends in part on our success in conducting and finalizing acquisition negotiations and integrating acquired businesses into our existing operations. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in tariffs or trade policy, or changes in the value of the U.S. dollar versus other currencies, could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. The impact of public health epidemics on employees, suppliers, and the global economy, such as the coronavirus pandemic currently impacting operations around the world, could also adversely affect our operations and financial performance. In addition, the impact of potential goodwill or intangible asset impairments could affect our financial results. Finally, increases in market prices for petrochemical products can significantly affect the prices we pay for raw materials, and in turn, increase our operating costs and decrease our profitability. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A "Risk Factors" in our Form 10-K filed with the Securities and Exchange Commission on July 12, 2019 for the fiscal year ended April 28, 2019, and our subsequent periodic reports filed with the Securities and Exchange Commission.

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

As previously disclosed, Culp, Inc. (the "Company") is party to a Credit Agreement with Wells Fargo Bank, National Association (the "Lender"), dated August 13, 2013, as amended by a First Amendment to Credit Agreement dated July 10, 2015, by a Second Amendment to Credit Agreement dated March 10, 2016, by a Third Amendment to Credit Agreement dated August 1, 2016, by a Fourth Amendment to Credit Agreement dated September 27, 2016, by a Fifth Amendment to Credit Agreement dated August 13, 2018, and by a Sixth Amendment to Credit Agreement dated March 27, 2020 (as amended, the "Credit Agreement"). The Credit Agreement provides for a $30 million line of credit and expires on August 15, 2022.

On April 3, 2020, the Company provided notice to the Lender to draw down $9.75 million in available borrowings under the Credit Agreement, so that a total of $30 million (including $250,000 in outstanding letters of credit) is currently outstanding. The Company elected to proactively draw down this amount on April 3, 2020 as a precautionary measure to further bolster its liquidity position and to provide additional financial flexibility in light of the current uncertainty surrounding the impact of the COVID-19 pandemic.

Item 2.05 – Costs Associated with Exit or Disposal Activity

On March 31, 2020, the Company sold all of its majority ownership interest in eLuxury, LLC ("eLuxury") to eLuxury's minority owner in consideration of the accelerated settlement of certain financial obligations due and payable by eLuxury to the Company and the entry into supply and royalty arrangements designed to preserve an important sales channel for Culp's core products and support the ongoing growth of eLuxury's business-to-business sales platform. The sale, which increases the Company's liquidity and allows the Company to focus on its core businesses, is part of the Company's comprehensive response to the increasingly challenging business conditions arising from the COVID-19 global pandemic. As a result of the sale, the Company will have a non-cash write off of approximately $6.6 million for goodwill and tradename assets associated with the Company's ownership interest in eLuxury, as well as other undetermined charges and credits associated with the write-off of other assets and liabilities of eLuxury resulting from the sale transaction. We are currently working to determine a good faith estimate of these additional charges and credits, and if these amounts are material, that estimate will be provided in future filings. Other than the foregoing, the Company does not currently expect to incur any additional material costs or future cash expenditures in connection with the sale of the Company's ownership interest in eLuxury.

Item 5.02 – Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On April 1, 2020, in response to the impacts of the COVID-19 pandemic on the Company's business, the Company's board of directors approved a temporary reduction in compensation for each of the Company's named executive officers, as follows: (1) for each of the Executive Chairman and the Chief Executive Officer, a reduction in an amount equal to 50% of the aggregate amount of base salary plus Company contributions to the supplemental non-qualified deferred compensation plan for each such officer (with such reductions funded first through the elimination of 100% of the Company's contributions to the supplemental non-qualified deferred compensation plan, and thereafter funded from a reduction in base salary); (2) for each of the President, Culp Upholstery Fabrics, and the Executive Vice President, Chief Financial Officer, and Treasurer, a reduction in an amount equal to 25% of the aggregate amount of base salary plus Company contributions to the supplemental non-qualified deferred compensation plan for each such officer (with such reductions funded first through the elimination of 100% of the Company's contributions to the supplemental non-qualified deferred compensation plan, and thereafter funded from a reduction in base salary); and (3) a 10% reduction in the base salary for the Corporate Controller, Assistant Treasurer, and Assistant Secretary. The board of directors also approved a temporary elimination of the quarterly cash retainer payable to non-employee directors during this temporary period.

The board of directors and the compensation committee of the board will evaluate these temporary compensation actions at their respective regular quarterly meetings or as otherwise deemed necessary.

Item 7.01 - Regulation FD Disclosure

On April 3, 2020, the Company issued a press release providing a cash strategy and business update in response to the COVID-19 pandemic, including the sale of the Company's majority interest in eLuxury and the withdrawal of the Company's previously issued guidance for the fourth quarter of fiscal 2020. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The information furnished in this Item 7.01 of this Current Report, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01(d) – Exhibits

99.1 – News Release dated April 3, 2020

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.

CULP, INC.
(Registrant)

By: /s/ Kenneth R. Bowling
Chief Financial Officer
(principal financial officer)

By: /s/ Thomas B. Gallagher, Jr.
Corporate Controller
(principal accounting officer)

Dated: April 6, 2020

EXHIBIT INDEX

Exhibit Number	Exhibit
99.1	News Release dated April 3, 2020

Exhibit 99.1

Culp Announces Cash Strategy and Business Update in Response to Covid-19, Including Sale of eLuxury and Withdrawal of Guidance

HIGH POINT, N.C.--(BUSINESS WIRE)--April 3, 2020--Culp, Inc. (NYSE: CULP) announced today a series of proactive measures the company has taken to preserve balance sheet strength and reduce costs in response to increasingly challenging market conditions and the impact of the COVID-19 global pandemic. These steps include:

- Completing a strategic sale of Culp's majority interest in eLuxury, LLC to the minority owner of eLuxury in order to increase liquidity and focus on its core businesses during this unprecedented environment. The company will maintain a strong working relationship with eLuxury going forward through supply and royalty arrangements designed to support eLuxury's ongoing growth strategy and preserve an important sales channel for Culp's core products;
- Entering an amendment to the company's existing domestic revolving credit facility with Wells Fargo to increase the borrowing limit, decrease the minimum liquidity level, and extend the expiration date to August 15, 2022;
- Adding to the company's cash balance by drawing down $20 million under this domestic revolving credit facility as a precautionary measure to proactively increase balance sheet flexibility during the coronavirus crisis;
- Implementing a temporary salary reduction of 50% for the company's executive chairman and chief executive officer, as well as other salary reductions for all other executive officers. Additionally, the board of directors will forego the cash portion of its compensation until further notice;
- Furloughing associates as necessary to align with demand and making other workforce adjustments and temporary salary reductions at each of the company's divisions. While the company will not pay wages to furloughed associates, it will continue to provide certain healthcare-related benefits for those eligible;
- Suspending merit pay increases until further notice;
- Suspending the company's share repurchase program indefinitely; and
- Aggressively reducing expenses, capital expenditures, and discretionary spending, and working with the company's vendors and landlords to negotiate temporary terms.

Culp, Inc. issued guidance for the fourth quarter of fiscal 2020 on March 4, 2020, which excluded any impact from the spread of COVID-19. Due to the extraordinary uncertainty and rapidly changing environment caused by the COVID-19 global pandemic, the company is withdrawing this previously issued guidance and is not providing an updated outlook at this time. The company expects to provide more information when it reports fourth quarter and fiscal 2020 results in June.

To date, Culp has experienced significant reductions in demand in many of its markets. The company has temporarily closed its facilities in Canada and Haiti due to government-mandated closure requirements and has reduced production schedules at other facilities due to declining demand resulting from customer and retail store closures.

Iv Culp, chief executive officer of Culp, Inc., said, "As the COVID-19 pandemic has spread across the world, Culp has been actively responding through our crisis management plan and adjusting our business operations accordingly. We are taking decisive action to protect our associates, adapt to rapidly changing conditions, serve our customers, manage liquidity, and reduce expenses.

"We believe these decisions, combined with others we have taken in recent weeks, including repurposing some of our operations to manufacture critical products needed for healthcare and other essential industries, will allow us to weather the COVID-19 market disruption and emerge from the current crisis well-positioned to meet the needs of our customers and execute our strategic plans.

"The specific actions that affect our people are the most difficult decisions we are making, and we realize the impact they will have on these associates and their families, but they are necessary to manage through this unprecedented business interruption. We hope to bring furloughed associates back and fully restore salaries as soon as possible when this crisis lifts. Until then, we will continue to monitor the situation closely and focus on managing our business to conserve cash and maintain balance sheet flexibility. We appreciate the collective efforts and support of our entire team in this trying time," added Culp.

About the Company

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for residential and commercial furniture. The company markets a variety of fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp's manufacturing facilities and fabrics sourced through other suppliers. Culp has operations located in the United States, Canada, China, and Haiti.

This release contains "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 21E of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties that may cause actual events and results to differ materially from such statements. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements, except as required by law, to reflect any changes in management's expectations or any change in the assumptions or circumstances on which such statements are based, whether due to new information, future events, or otherwise. Forward-looking statements are statements that include projections, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as "expect," "believe," "anticipate," "estimate," "plan," "project," and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, new product launches, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance or liquidity measures, as well as any statements regarding potential acquisitions, future economic or industry trends, or future developments. There can be no assurance that the company will realize these expectations, meet its guidance, or that these beliefs will prove correct.

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