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CULP INC
Form 8-K
June 03, 2002

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) June 3, 2002

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 No.)	(IRS Employer Identification No.)

101 South Main Street
High Point, North Carolina 27260
(Address of principal executive offices)
(336) 889-5161
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Item 5. Other Events

See attached Press Release (x pages) and Financial Information Release (13 pages), both dated June 3, 2002, related to the fiscal 2002 fourth quarter and

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year ended April 28, 2002.

Forward Looking Information. 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. Such statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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. Because of the significant percentage of the company's sales derived from international shipments, 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. Additionally, economic and political instability in international areas could affect the demand for the company's products.

SIGNATURE

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: Franklin N. Saxon

Executive Vice President and
Chief Financial Officer

FOR IMMEDIATE RELEASE

CULP REPORTS FOURTH QUARTER EARNINGS OF \$0.36 PER SHARE
BEFORE RESTRUCTURING AND RELATED CHARGES

EXPECTS YEAR-TO-YEAR IMPROVEMENT TO CONTINUE IN FISCAL 2003

HIGH POINT, N. C. (June 3, 2002) -- Culp, Inc. (NYSE: CFI) today reported financial results for its fourth fiscal quarter and year ended April 28, 2002, including net income before restructuring and related changes for the fourth quarter that was up sharply from the year earlier period.

For the three months ended April 28, 2002, Culp reported net sales of \$108.4 million, up 7.2% compared with \$101.1 million a year ago. Excluding

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restructuring and related charges in each period, net income for the fourth quarter of fiscal 2002 totaled \$4.2 million, or \$0.36 per share diluted, versus \$1.4 million, or \$0.13 per share diluted, in the year-earlier period. Including restructuring and related charges in each period, Culp reported a net loss for the fourth quarter of fiscal 2002 of \$1.6 million, or \$0.14 per share diluted, compared with a net loss of \$1.4 million, or \$0.13 per share diluted, in the year-earlier quarter.

Net sales for fiscal 2002 totaled \$381.9 million, compared with \$409.8 million in the year-earlier period. Excluding restructuring and related charges in each year, Culp reported net income for fiscal 2002 of \$4.0 million, or \$0.35 per share diluted, compared with a net loss of \$3.3 million, or \$0.30 per share diluted, in the year-earlier period. Including restructuring and related charges, the Company reported a net loss of \$3.4 million, or \$0.31 per share diluted, for fiscal 2002 and a net loss of \$8.3 million, or \$0.74 per share diluted, for the year-earlier period.

Culp indicated that bad debt expense for the fourth quarter of fiscal 2002 totaled \$1.2 million (\$0.07 per share after taxes) versus \$121,000 in the year-earlier period. Bad debt expense for fiscal 2002 totaled \$4.2 million (\$0.25 per share after taxes) compared with \$309,000 in fiscal 2001.

The restructuring and related charges during the fourth quarter of fiscal 2002 relate to the previously announced plan to exit and sell the wet printed flock business and related assets. The action involves closing a printing facility and flocking operations and reducing related selling and

administrative expenses. The total charge from exiting this business was \$9.7 million, approximately \$8.2 million of which represented non-cash items. Culp estimates the annual after-tax carrying costs to maintain the facilities until the assets are sold will be approximately \$200,000, or \$0.02 per diluted share. During fiscal 2002, sales of wet printed flock fabrics contributed \$17.1 million, or 4.5% of total sales, and the Company estimates that the business resulted in an after-tax net loss of \$1.3 million, or \$0.12 per diluted share.

"Our earnings for the fourth quarter extended the positive momentum that we established in the third quarter," remarked Robert G. Culp, III, chief executive officer. "We benefited from an especially strong performance in April. One of the changes that makes short-term forecasts more difficult for us is how much lead times in our industry have become shortened. Our ability to provide manufacturers with one of the broadest choices of fabrics available and to offer flexible, prompt shipping schedules are two of the fundamental competitive strengths playing to Culp's advantage. We believe our gain in sales for the quarter can be attributed in large part to our success in gaining market share. Although the overall 7.2% increase from a year ago was modest, our increased sales to U.S.-based manufacturers was somewhat offset by a continuing decline in international sales. Sales to U.S.-based manufacturers for the quarter rose 10.0% for upholstery fabrics and 14.6% for mattress ticking, gains that we believe send a strong signal affirming the success of our design programs and overall competitive position. Providing value to furniture and bedding manufacturers demands not only competitive pricing but also textures and patterns that consumers find appealing.

"We are starting to realize more of the benefit of the various actions we have taken to rationalize our capacity, streamline our operations and solidify Culp's leadership in the continued long-term growth projected for the home furnishings industry. The gross profit margin percentage of 21.2% for the fourth quarter in fact marked a new quarterly record for Culp, reflecting the benefits of our restructuring actions, a more profitable mix of sales in each division and increased operating efficiency due to the higher sales. The 53% increase in gross profit in the fourth quarter, on a much smaller gain in

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sales, highlights the positive leverage inherent in our business. We expect results in fiscal 2003 to reflect more of the savings from our restructuring moves, including the decision in the fourth quarter to exit the wet printed flock business."

Culp added, "Our objective for fiscal 2003 is to achieve year-to-year improvement in net income each quarter, excluding the impact of the restructuring and related charges incurred during fiscal 2002. We believe that the fundamentals of our business model provide the potential for Culp's profit margin percentages to return to their historical highs. Although we do not expect to achieve those levels for fiscal 2003 as a whole, we are optimistic that the trend during the year will be positive, establishing a strong platform for future improvement. We also expect to strengthen our balance sheet

further in the coming year. Our cash position at the close of fiscal 2002 improved to \$32.0 million, up from \$1.2 million at the close of fiscal 2001. Cash flow from operations for fiscal 2002 totaled a record \$42.2 million, exceeding the previous record in fiscal 2001 of \$36.1 million. The new high in cash flow enabled us to reduce debt by \$7.2 million and fund capital expenditures of \$4.7 million. We are continuing to manage our working capital closely and are pleased with the rebound in EBITDA to \$33.0 million, up from \$26.4 million in fiscal 2001, excluding restructuring and related charges."

Cumulative Effect of Accounting Change

Culp will adopt SFAS No. 142, "Goodwill and Other Intangible Assets," effective as of the beginning of Culp's 2003 fiscal year. SFAS No. 142 represents a substantial change in accounting for goodwill. Starting in 2003, goodwill will no longer be amortized but instead will be evaluated for impairment annually, beginning with the initial date of adopting SFAS No. 142. Culp has completed a preliminary review of its goodwill and expects to record in the first quarter of fiscal 2003 a non-cash charge of approximately \$23 million to \$27 million after taxes. The charge, which will be recorded as a "cumulative effect of change in accounting principle," will have no effect on operating income or cash flow from operations and will not affect the Company's compliance with the terms of its lending agreements. The elimination of goodwill amortization is expected to result in an annual expense reduction of approximately \$1.4 million, or \$0.07 per share, starting in the first quarter of fiscal 2003.

Culp, Inc. is one of the world's largest marketers of upholstery fabrics for furniture and is a leading marketer of mattress ticking for bedding. The Company's fabrics are used principally in the production of residential and commercial furniture and bedding products.

This release contains statements that may be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Such statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. 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. Because of the significant

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percentage of the Company's sales derived from international shipments, 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. Additionally, economic and political instability in international areas could affect the demand for the Company's products.

CULP, INC. Condensed Financial Highlights

	Three Months Ended	
	April 28, 2002	April 29, 2001
Net sales	\$ 108,397,000	\$ 101,071,000
Net loss	\$ (1,585,000)	\$ (1,427,000)
Net loss per share:		
Basic	\$ (0.14)	\$ (0.13)
Diluted	\$ (0.14)	\$ (0.13)
Net income per diluted share, excluding restructuring and related charges*	\$ 0.36	\$ 0.13
Average shares outstanding:		
Basic	11,255,000	11,212,000
Diluted	11,564,000	11,276,000

	Fiscal Year Ended	
	April 28, 2002	April 29, 2001
Net sales	\$ 381,878,000	\$ 409,810,000
Net loss	\$ (3,440,000)	\$ (8,311,000)
Net loss per share:		
Basic	\$ (0.31)	\$ (0.74)
Diluted	\$ (0.31)	\$ (0.74)
Net income (loss) per diluted share, excluding restructuring and related charges*	\$ 0.35	\$ (0.30)
Average shares outstanding:		
Basic	11,230,000	11,210,000
Diluted	11,457,000	11,210,000

* Excludes restructuring and related charges of \$9.7 million (\$5.8 million or \$0.51 per share diluted, after taxes) and \$12.2 million (\$7.4 million or \$0.66 per share diluted, after taxes) for the fiscal 2002 fourth quarter and full year results, respectively. Excludes restructuring and related charges of \$4.2 million (\$2.8 million or \$0.26 per share diluted, after taxes) and \$7.4 million (\$5.0 million or \$0.44 per share diluted, after taxes) for the fiscal 2001 fourth quarter and full year results, respectively.

- END -

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 28, 2002 AND APRIL 29, 2001
(Amounts in Thousands, Except for Per Share Data)

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THREE MONTHS ENDED (UNAUDITED)				

Amounts				

	April 28, 2002	April 29, 2001	% Over (Under)	Percent 2002

Net sales	\$ 108,397	101,071	7.2 %	100.0 %
Cost of sales	85,379	85,978	(0.7) %	78.8 %

Gross profit	23,018	15,093	52.5 %	21.2 %
Selling, general and administrative expenses (1)	14,236	10,617	34.1 %	13.1 %
Restructuring expense	9,065	3,121	190.5 %	8.4 %

Income (loss) from operations	(283)	1,355	(120.9) %	(0.3) %
Interest expense	2,056	2,284	(10.0) %	1.9 %
Interest income	(77)	(6)	1,183.3 %	(0.1) %
Other expense (income), net	1,067	1,209	(11.7) %	1.0 %

Loss before income taxes	(3,329)	(2,132)	(56.1) %	(3.1) %
Income taxes (2)	(1,744)	(705)	(147.4) %	52.4 %

Net loss	\$ (1,585)	(1,427)	(11.1) %	(1.5) %
=====				
Net loss per share	(\$0.14)	(\$0.13)	(7.7) %	
Net loss per share, assuming dilution	(\$0.14)	(\$0.13)	(7.7) %	
Net income per share, excluding restructuring and related charges, assuming dilution (3)	\$0.36	\$0.13	176.9 %	
Average shares outstanding	11,255	11,212	0.4 %	
Average shares outstanding, assuming dilution	11,255	11,212	0.4 %	

TWELVE MONTHS ENDED				

Amounts				

	April 28, 2002	April 29, 2001	% Over (Under)	Percent 2002

Net sales	\$ 381,878	409,810	(6.8) %	100.0 %
Cost of sales	319,021	353,823	(9.8) %	83.5 %

	62,857	55,987	12.3 %	16.5 %

Selling, general and				

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administrative expenses (1)	48,059	50,366	(4.6) %	12.6 %
Restructuring expense	10,368	5,625	84.3 %	2.7 %
	-----	-----	-----	-----
Income (loss) from operations	4,430	(4)	*	1.2 %
Interest expense	7,907	9,114	(13.2) %	2.1 %
Interest income	(176)	(46)	282.6 %	(0.0) %
Other expense (income), net	2,839	3,336	(14.9) %	0.7 %
	-----	-----	-----	-----
Loss before income taxes	(6,140)	(12,408)	50.5 %	(1.6) %
Income taxes (2)	(2,700)	(4,097)	34.1 %	44.0 %
	-----	-----	-----	-----
Net loss	\$ (3,440)	(8,311)	58.6 %	(0.9) %
	=====	=====	=====	=====
Net loss per share	(\$0.31)	(\$0.74)	58.1 %	
Net loss per share, assuming dilution	(\$0.31)	(\$0.74)	58.1 %	
Net income (loss) per share, excluding restructuring and related charges, assuming dilution (3)	\$0.35	(\$0.30)	216.7 %	
Average shares outstanding	11,230	11,210	0.2 %	
Average shares outstanding, assuming dilution	11,230	11,210	0.2 %	

* Calculated % not meaningful

(1) Includes bad debt expense of \$1.2 million (\$792,000 or \$0.07 per share diluted, after taxes) and \$121,000 for the fourth quarter of fiscal 2002 and 2001, respectively; and \$4,172,000 (\$2,753,000 or \$0.25 per share diluted, after taxes) and \$309,000 (\$207,000 or \$0.02 per share diluted, after taxes) for fiscal 2002 and 2001, respectively.

(2) Percent of sales column is calculated as a % of income (loss) before income taxes.

(3) Excludes restructuring and related charges of \$9.7 million (\$5.8 million or \$.51 per share diluted, after taxes) and \$4.2 million (\$2.8 million or \$.26 per share diluted, after taxes) for the fourth quarter of fiscal 2002 and fiscal 2001, respectively; and \$12.2 million (\$7.4 million or \$.66 per share diluted, after taxes) and \$7.4 million (\$5.0 million or \$.44 per share diluted, after taxes) for fiscal 2002 and 2001, respectively.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
APRIL 28, 2002 and APRIL 29, 2001

(Amounts in Thousands)

Amounts		Increase (Decrease)	
April 28, 2002	April 29, 2001	Dollars	Percent
-----	-----	-----	-----

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Current assets					
Cash and cash investments	\$	31,993	1,207	30,786	2,550.6 %
Accounts receivable		43,366	57,849	(14,483)	(25.0) %
Inventories		57,899	59,997	(2,098)	(3.5) %
Other current assets		13,413	7,856	5,557	70.7 %
		-----	-----	-----	-----
Total current assets		146,671	126,909	19,762	15.6 %
Property, plant & equipment, net					
Goodwill		89,772	112,322	(22,550)	(20.1) %
Other assets		47,083	48,478	(1,395)	(2.9) %
		-----	-----	-----	-----
Total assets	\$	287,713	289,580	(1,867)	(0.6) %
		=====	=====	=====	=====
Current liabilities					
Current maturities of long-term debt	\$	1,483	2,488	(1,005)	(40.4) %
Accounts payable		24,327	27,371	(3,044)	(11.1) %
Accrued expenses		18,905	17,153	1,752	10.2 %
Income taxes payable		0	1,268	(1,268)	0.0 %
		-----	-----	-----	-----
Total current liabilities		44,715	48,280	(3,565)	(7.4) %
Long-term debt					
		107,001	109,168	(2,167)	(2.0) %
Deferred income taxes					
		16,932	10,330	6,602	63.9 %
		-----	-----	-----	-----
Total liabilities		168,648	167,778	870	0.5 %
Shareholders' equity					
		119,065	121,802	(2,737)	(2.2) %
		-----	-----	-----	-----
Total liabilities and shareholders' equity	\$	287,713	289,580	(1,867)	(0.6) %
		=====	=====	=====	=====
Shares outstanding					
		11,320	11,221	99	0.9 %
		=====	=====	=====	=====

CULP, INC.
 FINANCIAL INFORMATION RELEASE
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE TWELVE MONTHS ENDED APRIL 28, 2002 AND APRIL 29, 2001

(Amounts in Thousands)

TWELVE MONTHS ENDED

 Amounts

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	April 28, 2002	April 29, 2001
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (3,440)	(8,311)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	17,274	19,391
Amortization of intangible and other assets	1,575	1,591
Amortization of deferred compensation	144	360
Provision for deferred income taxes	(1,452)	(5,394)
Restructuring expense	10,368	5,625
Changes in assets and liabilities:		
Accounts receivable	14,483	17,374
Inventories	2,098	14,474
Other current assets	2,504	827
Other assets	(311)	171
Accounts payable	998	(4,530)
Accrued expenses	(796)	(6,767)
Income taxes payable	(1,268)	1,268
	-----	-----
Net cash provided by operating activities	42,177	36,079
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(4,729)	(8,050)
Sales of investments related to deferred compensation plan	0	4,547
	-----	-----
Net cash used in investing activities	(4,729)	(3,503)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	0	564
Principal payments on long-term debt	(3,172)	(26,394)
Change in accounts payable-capital expenditures	(4,042)	(5,386)
Dividends paid	0	(1,177)
Proceeds from common stock issued	552	17
	-----	-----
Net cash used in financing activities	(6,662)	(32,376)
	-----	-----
Increase in cash and cash investments	30,786	200
Cash and cash investments at beginning of period	1,207	1,007
	-----	-----
Cash and cash investments at end of period	\$ 31,993	1,207
	=====	=====

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
APRIL 28, 2002

FISCAL 01	FISCAL 02		
-----	-----	-----	-----
Q4	Q1	Q2	Q3
-----	-----	-----	-----

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INVENTORIES				
Inventory turns	5.4	5.1	5.4	5.1
RECEIVABLES				
Days sales in receivables	52	51	47	43
Percent current & less than 30 days past due	95.5%	91.9%	92.7%	96.0%
WORKING CAPITAL				
Current ratio	2.6	2.8	2.8	3.2
Working capital turnover (2)	4.0	4.1	4.1	4.2
Operating working capital (2)	\$90,475	\$86,586	\$84,346	\$84,233
PROPERTY, PLANT & EQUIPMENT				
Depreciation rate	7.4%	7.2%	7.1%	7.1%
Percent property, plant & equipment are depreciated	54.9%	56.2%	58.1%	59.0%
Capital expenditures	\$8,050 (1)	\$1,602	\$686	\$1,105
PROFITABILITY				
Return on average total capital (6)	4.8%	(0.1%)	3.9%	2.4%
Return on average equity (6)	4.7%	(4.5%)	3.2%	0.7%
Net income (loss) per share	(\$0.13)	(\$0.26)	\$0.08	\$0.02
Net income (loss) per share (diluted)	(\$0.13)	(\$0.26)	\$0.08	\$0.02
Net income (loss) per share, excluding restructuring and related charges, (diluted) (5)	\$0.13	(\$0.12)	\$0.09	\$0.02
LEVERAGE				
Total liabilities/equity	137.7%	136.6%	136.8%	129.6%
Funded debt/equity	91.7%	93.1%	92.3%	91.7%
Funded debt/capital employed	47.8%	48.2%	48.0%	47.8%
Funded debt	\$111,656	\$110,652	\$110,583	\$110,087
Funded debt/EBITDA (LTM) (4)	4.23	4.26	4.26	3.64
OTHER				
Book value per share	\$10.85	\$10.59	\$10.68	\$10.62
Employees at quarter end	3,127	3,018	3,018	3,015
Sales per employee (annualized)	\$122,000	\$113,000	\$128,000	\$120,523
Capital employed	\$233,458	\$229,461	\$230,421	\$230,999
Effective income tax rate	33.1%	34.0%	34.0%	34.0%
EBITDA (4)	\$10,363	\$4,731	\$8,315	\$6,862
EBITDA/net sales (4)	10.3%	5.5%	8.6%	7.6%

(1) Expenditures for entire year

(2) Working capital for this calculation is accounts receivable, inventories and accounts payable.

(3) LTM represents "Latest Twelve Months"

(4) EBITDA includes earnings before interest, income taxes, depreciation, amortization, all restructuring and related charges and certain non-cash charges, as defined by the company's credit agreement.

(5) Excludes restructuring and related charges of \$12.2 million (\$7.4 million or \$.66 per share diluted, after taxes) for the last twelve months.

(6) Excludes restructuring and related charges

CULP, INC. FINANCIAL INFORMATION RELEASE

SALES BY PRODUCT GROUP

FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 28, 2002 AND APRIL 29, 2001

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(Amounts in thousands)

THREE MONTHS ENDED					
Product Group	Amounts			Percent of Total Sales	
	April 28, 2002	April 29, 2001	% Over (Under)	2002	2001
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 42,973	41,046	4.7 %	39.6 %	40.6 %
Culp Velvets/Prints	34,594	31,327	10.4 %	31.9 %	31.0 %
Culp Yarn	1,494	2,417	(38.2)%	1.4 %	2.4 %
	79,061	74,790	5.7 %	72.9 %	74.0 %
Mattress Ticking					
Culp Home Fashions	29,336	26,281	11.6 %	27.1 %	26.0 %
	* \$ 108,397	101,071	7.2 %	100.0 %	100.0 %

TWELVE MONTHS ENDED					
Product Group	Amounts			Percent of Total Sales	
	April 28, 2002	April 29, 2001	% Over (Under)	2002	2001
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 152,505	170,326	(10.5)%	39.9 %	41.6 %
Culp Velvets/Prints	119,119	122,105	(2.4)%	31.1 %	29.8 %
Culp Yarn	5,306	12,581	(57.8)%	1.4 %	3.1 %
	276,930	305,012	(9.2)%	72.5 %	74.4 %
Mattress Ticking					
Culp Home Fashions	104,948	104,798	0.1 %	27.5 %	25.6 %
	* \$ 381,878	409,810	(6.8)%	100.0 %	100.0 %

* U.S. sales were \$94,760 and \$85,314 for the fourth quarter of fiscal 2002 and fiscal 2001, respectively; and \$ 328,377 and \$331,986 for the twelve months of fiscal 2002 and 2001, respectively. The percentage increase in U.S. sales was 11.1% for the fourth quarter and a decrease of 1.1% for the twelve months.

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FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 28, 2002 AND APRIL 29, 2001
(Amounts in thousands)

Geographic Area	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	April 28, 2002	April 29, 2001	% Over (Under)	2002	2001
North America (Excluding USA)	\$ 9,010	7,872	14.5 %	66.1 %	50.0 %
Europe	176	1,334	(86.8) %	1.3 %	8.5 %
Middle East	1,422	3,375	(57.9) %	10.4 %	21.4 %
Far East & Asia	2,289	2,394	(4.4) %	16.8 %	15.2 %
South America	411	296	38.9 %	3.0 %	1.9 %
All other areas	329	486	(32.3) %	2.4 %	3.1 %
	\$ 13,637	15,757	(13.5) %	100.0 %	100.0 %

Geographic Area	TWELVE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	April 28, 2002	April 29, 2001	% Over (Under)	2002	2001
North America (Excluding USA)	\$ 32,033	34,049	(5.9) %	60.0 %	43.8 %
Europe	2,291	6,262	(63.4) %	4.3 %	8.0 %
Middle East	6,226	17,831	(65.1) %	11.6 %	22.9 %
Far East & Asia	10,703	15,497	(30.9) %	20.0 %	19.9 %
South America	902	1,028	(12.3) %	1.7 %	1.3 %
All other areas	1,346	3,157	(57.4) %	2.5 %	4.1 %
	\$ 53,501	77,824	(31.3) %	100.0 %	100.0 %

International sales, and the percentage of total sales, for each of the last three fiscal years follows: fiscal 2000-\$111,104 (23%); fiscal 2001-\$77,824 (19%);fiscal 2002 \$53,501 (14%). International sales for the fourth quarter represented 13% and 16% for fiscal 2002 and 2001, respectively.

CULP, INC.
PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS ENDED APRIL 28, 2002 AND APRIL 29, 2001
(Amounts in Thousands, Except for Per Share Data)

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THREE MONTHS ENDED (UNAUDITED)

	As Reported		Reclassification & Adjustments	April 28, 2002	
	April 28, 2002	% of Net Sales		Proforma Net of Restructuring	% of Net Sales
Net sales	\$ 108,397	100.0%		108,397	100.0%
Cost of sales	85,379	78.8%	(619) (2)	84,760	78.2%
Gross profit	23,018	21.2%	(619)	23,637	21.8%
Selling, general and administrative expenses	14,236	13.1%	(1,244)	12,992	12.0%
Bad debt expense			1,244	1,244	1.5%
Restructuring expense	9,065	8.4%	(9,065) (3)	0	0.0%
Income (loss) from operations	(283)	-0.3%	(9,684)	9,401	8.7%
Interest expense	2,056	1.9%	0	2,056	1.9%
Interest income	(77)	-0.1%	0	(77)	-0.1%
Other expense (income), net	1,067	1.0%	0	1,067	1.0%
Income (loss) before income taxes	(3,329)	-3.1%	(9,684)	6,355	5.9%
Income taxes (1)	(1,744)	52.4%	(3,905)	2,161	34.0% (4)
Net income (loss)	\$ (1,585)	-1.5%	(5,779)	4,194	3.9%
Net income (loss) per share	(\$0.14)		(\$0.51)	\$0.37	
Net income (loss) per share, assuming dilution	(\$0.14)		(\$0.51)	\$0.36	
Average shares outstanding	11,255		11,255	11,255	
Average shares outstanding, assuming dilution	11,255		11,255	11,564 (5)	

Notes:

- (1) Percent of sales column is calculated as a % of income (loss) before income taxes.
- (2) The \$619,000 represents inventory write-downs incurred due to the exit of the wet printed flock upholstery fabric business.
- (3) The \$9.1 million represents restructuring charges related to the exit of the wet printed flock upholstery fabric business as follows: \$1.4 million in plant closing costs, and \$7.6 million in non-cash write-downs to net realizable value of property, plant and equipment.
- (4) Pre-restructuring income tax rate is 34%
- (5) Incremental shares of 309,000 for fiscal 2002 and 64,000 for fiscal 2001 included in fully diluted calculation
- (6) \$1.1 million of Culp Decorative Fabrics (CDF) and Culp Yarn (CYN) restructuring related charges are excluded from the cost of sales total; and, \$3.1 million in CDF and CYN restructuring charges are excluded to arrive at the proforma amounts.

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CULP, INC.
 PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS)
 FOR THE TWELVE MONTHS ENDED APRIL 28,
 2002 AND APRIL 29, 2001
 (Amounts in Thousands, Except Per Share Data)

	TWELVE MONTHS ENDED				
	As Reported April 28, 2002	% of Net Sales	Reclassification & Adjustments	April 28, 2002 Proforma Net of Restructuring	% of Net Sales
Net sales	\$ 381,878	100.0%		381,878	100.0%
Cost of sales	319,021	83.5%	(1,825) (2)	317,196	83.1%
Gross profit	62,857	16.5%	(1,825)	64,682	16.9%
Selling, general and administrative expenses	48,059	12.6%	(4,172)	43,887	11.5%
Bad debt expense			4,172	4,172	1.3%
Restructuring expense	10,368	2.7%	(10,368) (3)	0	0.0%
Income (loss) from operations	4,430	1.2%	(12,193)	16,623	4.4%
Interest expense	7,907	2.1%	0	7,907	2.1%
Interest income	(176)	0.0%	0	(176)	0.0%
Other expense (income), net	2,839	0.7%	0	2,839	0.7%
Income (loss) before income taxes	(6,140)	-1.6%	(12,193)	6,053	1.6%
Income taxes (1)	(2,700)	44.0%	(4,758)	2,058	34.0% (4)
Net income (loss)	\$ (3,440)	-0.9%	(7,435)	3,995	1.0%
Net income (loss) per share	(\$0.31)		(\$0.66)	\$0.36	
Net income (loss) per share, assuming dilution	(\$0.31)		(\$0.66)	\$0.35	
Average shares outstanding	11,230		11,230	11,230	
Average shares outstanding, assuming dilution	11,230		11,230	11,457 (5)	

Notes:

- (1) Percent of sales column is calculated as a % of income (loss) before income taxes.
- (2) The \$1.8 million in restructuring related charges are as follows: \$1.2 million in CDF and CYN charges; and \$619,000 in wet printed flock charges.
- (3) The \$10.4 million in restructuring charges are as follows: \$1.3 million, relating to CDF and CYN; and \$9.1 million relating to wet printed flock

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business.

- (4) Pre-restructuring income tax rate is 34%
- (5) Incremental shares of 227,000 included in fully diluted calculation
- (6) \$1.8 million of CDF and CYN restructuring related charges are excluded from the cost of sales total; and \$5.6 million in CDF and CYN restructuring charges are excluded to arrive at the proforma amounts.

CULP, INC. FINANCIAL INFORMATION RELEASE FINANCIAL NARRATIVE

for the three and twelve month periods ended April 28, 2002 and April 29, 2001

INCOME STATEMENT COMMENTS

GENERAL - For the fourth quarter, net sales increased 7.2% to 108.4 million; and the company reported net income, excluding restructuring and related charges, of \$4.2 million, or \$0.36 per share diluted, versus net income of \$1.4 million, or \$0.13 per share diluted, in the fourth quarter of fiscal 2001, also excluding restructuring and related charges. For fiscal 2002, net sales decreased 6.8% to \$381.9 million; and the company reported net income of \$4.0 million, or \$0.35 per share diluted, excluding restructuring and related charges, versus a net loss of \$3.3 million, or \$0.30 per share diluted, a year ago, also excluding restructuring and related charges. As described below in "SG&A EXPENSES," a significant factor affecting the fourth quarter and the entire 2002 fiscal year was bad debt expense of \$1.2 million and \$4.2 million, respectively (\$0.07 and \$0.25 per share, respectively, on an after-tax basis). This compares with bad debt expense of \$121,000 and \$309,000 for the fourth quarter and fiscal year of 2001, respectively. After restructuring and related charges, the company reported a net loss for the fourth quarter of 2002 of \$1.6 million, or \$0.14 per share diluted, versus a net loss of \$1.4 million, or \$0.13 per share diluted, for the fourth quarter of 2001. After restructuring and related charges, the company reported a net loss of \$3.4 million, or \$0.31 per share diluted, for 2002, and a net loss of \$8.3 million, or \$0.74 per share diluted, for 2001.

PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) -- The company has included, within this financial information release, proforma income statements for the fourth quarter and fiscal year of 2002 which reconcile the reported income statements for those periods with proforma results excluding the effects of the restructuring and related charges incurred by the company during fiscal 2002. Additionally, the proforma results for 2002 are compared with the proforma results of the fourth quarter and fiscal year 2001, excluding restructuring and related charges. (See PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) on pages 7 and 8 of this financial information release.)

The company's long-term, strategic plan encompasses several competitive initiatives:

Broad Product Offering - continuing to market one of the broadest product lines in upholstery fabrics and mattress ticking. Through its extensive manufacturing capabilities, the company competes in most major categories except leather;

Diverse Customer Base - maintaining a diverse customer base. The company has long-standing relationships with the major residential furniture and bedding manufacturers. Ownership of resources in the home furnishings industry is becoming increasingly concentrated, and the company has successfully been able to capitalize on its size and product breadth to

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supply more of the needs of existing customers.

Design Innovation - supplying fabrics that are fashionable and match current consumer preferences. The company's principal design resources are consolidated in a single facility that has advanced computer-assisted design systems and promotes sharing of innovative designs across product lines. Culp encourages active customer involvement in the entire design process; and

Vertical Integration - operating as a vertically integrated manufacturer and taking advantage of economies, quality, supply availability and efficiencies that can be gained by producing the raw material components that are used in the manufacture of its products.

EXIT OF WET PRINTED FLOCK PRODUCT LINE - The company previously announced during the fourth quarter that it was evaluating strategic alternatives for the capital invested in manufacturing and marketing wet printed flock upholstery fabrics. Management took this action because of the significant decline in sales and profitability of wet printed flocks in recent years, a decline related principally to the strength of the U.S. dollar relative to foreign currencies as well as a shift in consumer preferences to other styles of upholstery fabrics. In April 2002 management approved a plan to exit the wet printed flock upholstery fabric business and is actively seeking to sell the assets related to this product line. The exit plan involved closing a printing facility and flocking operations within the Culp Velvets/Prints division and a reduction in related selling and administrative expenses. The company also recognized certain inventory write-downs related to this product line. The total charge from the exit plan and inventory write-down was \$9.7 million, approximately \$8.2 million of which represented non-cash items. The company recorded the total charge in the fourth quarter of fiscal 2002. Of this total, \$9.1 million was recorded in the line item "Restructuring expense" and \$600,000 related to the inventory write-downs was recorded in "Cost of sales." The company estimates the annual after-tax carrying costs to maintain the facilities until the assets are sold will be approximately \$200,000, or \$0.02 per share. During the fiscal year ended April 28, 2002, sales of wet printed flocks contributed \$17.1 million, or 4.5%, of the company's total sales and resulted in an operating loss of \$2.1 million. The company estimates that the net loss on an after-tax basis would be approximately \$0.12 per share.

OTHER RESTRUCTURING ACTIONS - During fiscal 2001 and continuing into fiscal 2002, the company undertook a restructuring plan intended to lower operating expenses, increase manufacturing utilization, raise productivity and position the company to operate profitably on a 20% lower level of sales. The plan involved the consolidation of certain fabric manufacturing capacity within the Culp Decorative Fabrics (CDF) division, closing one of the company's four yarn manufacturing plants within Culp Yarn, an extensive reduction in selling, general and administrative expenses and a comprehensive SKU reduction initiative related to finished goods and raw materials in CDF. Additionally, the plan included consolidation of the CDF design effort into the company's Design Center and the implementation of a common set of raw material components for CDF. The company also recognized certain inventory write-downs related to the closed facilities as part of this initiative. While the physical relocation and movement of machinery and equipment involved in the restructuring was completed by the end of the second quarter and the related fixed manufacturing cost savings achieved, the company still has much improvement to make to reach targeted productivity and variance levels in the CDF division. The total charge from the restructuring, cost reduction and inventory write-down initiatives was \$9.9 million, about \$3.6 million of which represented non-cash items. The company recognized \$7.4 million of restructuring and related charges during fiscal 2001, and \$2.5 million in the first nine months of fiscal 2002. Restructuring and related charges for fiscal 2002 were recorded as \$1.3 million

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in the line item "Restructuring expense" and \$1.2 million in "Cost of sales." The costs reflected in "Cost of sales" are principally related to the relocation of manufacturing equipment. Due to the restructuring plan, the company has now realized annualized reductions of at least \$14 million in fixed manufacturing costs and SG&A expenses. Management believes the company now has a sound footprint of efficient, world-class facilities utilizing state-of-the-art equipment that position Culp well to meet the demands by manufacturers for shorter lead times, reliable delivery schedules and appealing designs.

NET SALES - Compared with the year-earlier period, the company's net sales increased 7.2% for the fourth quarter of fiscal 2002. This sales performance represents the first quarterly sales gain in over two years, since the third quarter of fiscal 2000. For fiscal 2002 as a whole, sales were \$381.9 compared to \$409.8 in fiscal 2001.

Compared with fiscal 2001, upholstery fabric sales for the fourth quarter of fiscal 2002 increased 5.7% to \$79.1 million, and decreased 9.2% to \$276.9 million for fiscal 2002 (See Sales by Segment/Division on Page 5). Reflecting a reversal of the trends in the first three quarters, domestic upholstery fabric sales increased by 10% to \$69.0 million in the fourth quarter of fiscal 2002. For fiscal year 2002, domestic upholstery fabric sales decreased by 3.3% to \$236.6 million. The decrease related to a decline in sales to the external yarn market (\$7.3 million), where the company exited certain businesses, and to a decline in sales to the commercial furniture market (\$4.5 million). The company believes that it is improving its market share in the U.S. residential furniture market because of well-received fabric placements in the Culp Decorative Fabrics and Culp Velvets/Prints divisions. International sales of upholstery fabric for the fourth quarter of fiscal 2002 were \$10.1 million, down 15.8% from \$12.0 million in the same quarter of the prior year. International sales of upholstery fabric for fiscal 2002 were \$40.3 million, down 33.2% from \$60.4 million in fiscal 2001.

Compared with fiscal 2001, mattress ticking sales for the fourth quarter of fiscal 2002 increased 11.6% to \$29.3 million, and increased .1% to \$104.9 million for fiscal 2002. Sales to U.S. bedding manufacturers increased 14.6% to \$25.8 million in the fourth quarter of fiscal 2002, and increased 5.0% to \$91.7 million for fiscal 2002. The company believes that it is gaining market share in the U.S. bedding market as well. International ticking sales for the fourth quarter of fiscal 2002 were \$3.6 million, down 6.1% from \$3.8 million in the same quarter of last year. International ticking sales for fiscal 2002 were \$13.2 million, down 24.5% from \$17.5 million in fiscal 2001.

GROSS PROFIT - Excluding the restructuring related charges recorded in cost of sales during 2001 and 2002, gross profit increased 45.7% for the fourth quarter of fiscal 2002 compared with the year earlier period and increased as a percentage of net sales to 21.8% from 16.0%. This significant improvement reflects solid progress in gross profit dollars and margins in each of the company's four divisions. The key factors behind these gains were: (1) a more profitable sales mix across the divisions; (2) the benefit of the 2001 restructuring actions taken in Culp Decorative Fabrics (CDF) and Culp Yarn; and (3) better sales volume and the related higher capacity utilization in each division. For fiscal 2002 as a whole, gross profit, excluding restructuring related charges, increased 11.9% compared with fiscal 2001, and increased as a percentage of net sales to 16.9% from 14.1%. This improvement reflected strong gross profit dollar and margin growth in the Culp Home Fashions, Culp Velvets/Prints and Culp Yarn divisions. Offsetting these gains somewhat was a decrease in gross profit dollars and margin in Culp Decorative Fabrics, which occurred in the first half of fiscal 2002. The fourth quarter represented the first year-over-year positive comparison in sales and gross profit for CDF in nine quarters. The company is optimistic that gross profit margins in CDF can be improved significantly over the next one to two years. In order to achieve this margin improvement, management expects the key drivers will be (1) improving the

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profitability of the current sales mix; (2) improving manufacturing performance, in terms of productivity and inventory obsolescence; and (3) modest sales growth.

SG&A EXPENSES - SG&A expenses were \$14.2 million for the fourth quarter and increased \$3.6 million, or 34.1%, over the year earlier period. This increase resulted primarily from bad debt expense of \$1.2 million and management incentive compensation expense of \$1.8 million during the quarter. Through the first nine months of fiscal 2002, the company had reported a net loss, after and before restructuring charges; therefore no incentive compensation had been earned or recorded. Without considering bad debt and incentive compensation expense, SG&A expenses were \$11.2, or 10.3% of net sales, for the fourth quarter of fiscal 2002, compared with \$10.5 million, or 10.4% of net sales, for the same quarter of fiscal 2001. SG&A expenses were \$48.1 million for fiscal 2002 as a whole and decreased \$2.3 million, or 4.6%, from fiscal 2001. The significant factors affecting the year to year comparisons were bad debt expense of \$4.2 million in fiscal 2002 versus \$309,000 in fiscal 2001 and incentive compensation expense of \$1.8 million in fiscal 2002 versus \$0.0 in fiscal 2001. Without considering these factors in both years, SG&A expenses were \$42.1 million, or 11.1% of net sales, for fiscal 2002, compared with \$50.0 million, or 12.2% of net sales, for fiscal 2001. This reflects a 15.8% decrease and primarily resulted from the company's decision to reduce SG&A expenses significantly as part of the 2001 restructuring plan.

INTEREST EXPENSE - Interest expense for the fourth quarter declined 10.0% from \$2.3 million to \$2.1 million and for the fiscal year from \$9.1 million to \$7.9 million due to lower borrowings outstanding and lower average interest rates over the course of the fiscal year. Interest income increased due to the significant build up in Cash and Cash Investments during the year.

OTHER EXPENSE (INCOME), NET - Other expense (income) for the fourth quarter of fiscal 2002 totaled \$1.1 million compared with \$1.2 million in the prior year. Goodwill amortization of \$1.4 million, or \$0.07 per share, is included in Other Expense in fiscal 2002 and fiscal 2001. With the adoption of SFAS No. 142 in the first quarter of fiscal 2003, the company will no longer record goodwill amortization.

INCOME TAXES - The effective tax rate for fiscal 2002 was 44.0% compared with 33.0% for the year-earlier period. The higher rate resulted from the 2002 increased tax benefits related to the company's US loss, including restructuring and related charges, and to a lower proportion of earnings from the company's Canadian subsidiaries, as well as the recognition in 2001 of gain from terminated life insurance contracts. The income tax rate for fiscal 2002 on income before the restructuring and related charges was 34.0%. The company expects the effective tax rate for fiscal 2003 to be approximately 37.0%.

EBITDA - EBITDA for the fourth quarter of fiscal 2002 increased 26.0% to \$13.1 million compared with \$10.4 million for the fourth quarter of last year, and increased 25.0% to \$33.0 million for fiscal 2002 compared with \$26.4 million in fiscal 2001. EBITDA includes earnings before interest, income taxes, depreciation, amortization, all restructuring and related charges and certain non-cash charges, as defined by the company's credit agreement.

BALANCE SHEET COMMENTS

CASH AND CASH INVESTMENTS - Cash and cash investments as of April 28, 2002 increased to \$32.0 million from \$1.2 million at fiscal year end, reflecting cash flow from operations of \$42.2 million for fiscal 2002, which exceeded capital expenditures of \$4.7 million, debt repayment of \$3.2 million, and reduction of accounts payable for capital expenditures of \$4.0 million. Cash and Cash Investments increased \$21.6 million during the fourth quarter due to the

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significant increase in earnings, a \$4.0 million income tax refund due to the five-year net operating loss carrybacks allowable under the Job Creation and Worker Assistance Act passed in March 2002, continued reduction in working capital requirements, and only \$1.3 million in capital expenditures and \$1.6 million in debt repayments.

WORKING CAPITAL - Accounts receivable as of April 28, 2002 decreased 25.0% from the year-earlier level, due principally to the decline in international sales with their related longer credit terms, and an increase in the number of customers taking the cash discount for shorter payment terms. Days sales outstanding totaled 36 days at April 28, 2002 compared with 52 a year ago. The aging of accounts receivable was 98.7% current and less than 30 days past due versus 95.5% a year ago. Inventories at the close of the fourth quarter decreased 3.5% from a year ago. Inventory turns for the fourth quarter were 5.8 versus 5.4 for the year-earlier period. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was \$76.9 million at April 28, 2002, down from \$90.5 million a year ago.

OTHER CURRENT ASSETS - Other current assets increased 70.7% to \$13.4 million, primarily as a result of an increase in refundable income taxes of \$1.7 million and the reclassification, totaling \$4.2 million, of deferred tax assets related to net operating loss carryforwards from non-current to current based on expected fiscal 2003 utilization.

PROPERTY, PLANT AND EQUIPMENT - Capital spending for fiscal 2002 was \$4.7 million, compared with \$8.1 million in the year-earlier period. Depreciation for fiscal 2002 totaled \$17.3 million. The company is estimating capital expenditures of \$8.0 million for fiscal 2003 and depreciation expense of \$14 to \$15 million for the year.

GOODWILL - Goodwill at April 28, 2002 was \$47.1 million. The company will adopt SFAS No.142 during its first fiscal quarter of fiscal 2003. As a result of this adoption, the company is expecting to record a special, non-cash goodwill impairment charge in the range of \$23 million to \$27 million (on an after-tax basis) related to the goodwill associated with its Culp Decorative Fabrics division, which amounts to \$42.2 million. This charge will be reflected separately from income from continuing operations as a cumulative effect of an accounting change and will be presented net of related income tax expense. There will be no impact on the company's compliance with the covenants in its loan agreement as a result of this change.

OTHER ASSETS - Other assets increased by \$2.3 million during the fiscal year to \$4.2 million at April 28, 2002. This increase is principally related to the recording of Assets Held For Sale in conjunction with the exiting of the wet printed flock upholstery fabric business.

LONG-TERM DEBT - The company has reduced funded debt by \$3.2 million or 2.9% from the end of the last fiscal year. Funded debt equals long-term debt plus current maturities. Funded debt was \$108.5 million at April 28, 2002, compared with \$111.7 million at the end of fiscal 2001. The company's funded debt-to-capital ratio was 47.7% at April 28, 2002, its lowest level since July 1997. During fiscal 2001, the company amended its credit facility to include terms that restrict the payment of cash dividends and share repurchases at this time, limit capital expenditures, increase the interest rate on its revolving credit facility and increase the letter of credit fees on its industrial revenue bonds (IRBs). This amended credit facility provides for a loan commitment of \$10 million, and expires on August 22, 2002. The company had no outstanding borrowings under the facility at the end of fiscal 2002. The company was in compliance with all covenants contained in its loan agreements as of April 28, 2002.

During February 2002, the company amended its \$75 million term loan with its

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lenders to revise certain financial covenants so that a goodwill impairment charge, if any, would not inadvertently cause a loan covenant violation due only to changes in financial accounting standards. In exchange for these covenant changes, the company agreed to increase the interest rate paid on the term loan by 100 basis points. Therefore, the significant goodwill impairment charge expected to be recorded in the first quarter of fiscal 2003 will not cause any violation of its loan covenants with its lenders.

In addition, reflecting the company's improved financial results and financial position, the company has received a loan commitment from its principal bank lender that provides, among other things, for (1) a two year credit facility starting at \$47 million and reducing to \$27 million as certain IRB repayments are made, (2) release of the collateral securing the facility, (3) lower interest rates based upon a pricing matrix, and (4) improved financial covenants. In exchange for these provisions, the company would agree, among other things, to repay approximately \$20 million of its IRB debt by October 2002, and pay a credit facility fee. The company expects to close this new credit facility during the first quarter.