CULP INC
Form 10-K
July 16, 2009

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

FORM 1O-K

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

For the fiscal year ended May 3, 2009

Commission File No. 0-12597

CULP, INC.
(Exact name of registrant as specified in its charter)

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|---|---|
| NORTH CAROLINA<br>(State or other jurisdiction of incorporation or other organization) | 56-1001967<br>(I.R.S. Employer Identification No.) |
| 1823 Eastchester Drive, High Point, North Carolina<br>(Address of principal executive offices) | 27265<br>(zip code) |

(336) 889-5161
(Registrant's telephone number, including area code)

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

| Title of Each Class | Name of Each Exchange On Which Registered |
|---|---|
| Common Stock, par value $.05/ Share | New York Stock Exchange |
| Rights for Purchase of Series A Participating Preferred Shares | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. YES o NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for at least the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES o   NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer, accelerated filer, and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o    Accelerated Filer o    Non-Accelerated Filer x
Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO x

As of May 3, 2009, 12,767,527 shares of common stock were outstanding. As of November 2, 2008, the aggregate market value of the voting stock held by non-affiliates of the registrant on that date was $30,251,514 based on the closing sales price of such stock as quoted on the New York Stock Exchange (NYSE), assuming, for purposes of this report, that all executive officers and directors of the registrant are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed pursuant to Regulation 14A of the Securities and Exchange Commission in connection with its Annual Meeting of Shareholders to be held on September 22, 2009 are incorporated by reference into Part III of this Form 10-K.

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## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

Parts I and II of this report contain 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 "expect," "believe," "estimate," "plan" and "project" and their derivatives, a include but are not limited to statements about expectations for the company's future operations or success, sales, gross profit margins, operating income, SG&A or other expenses, and earnings, as well as any statements regarding future economic or industry trends or future developments. 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. In addition, changes in consumer preferences for various categories of furniture coverings, as well as changes in costs to produce such products (including import duties and quotas or other import costs) can have significant effect on demand for the company's products. Changes in the value of the U.S. dollar versus other currencies can affect the company's financial results because a significant portion of the company's operations are located outside the United States. 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, and strengthening of currencies in Canada and China can have a negative impact on the company's sales of products produced in those countries. Further, 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. Further information about these factors, as well as other factors that could affect the company's future operations or financial results and the matters discussed in forward-looking statements are included in the "Risk Factors" section of this report in Item 1A.

# PART 1

## ITEM 1. BUSINESS

### Overview

Culp, Inc. manufactures, sources, and markets mattress fabrics (also known as mattress ticking) used for covering mattresses and box springs, and upholstery fabrics primarily for use in production of upholstered furniture (residential and commercial).

We believe that Culp is the largest producer of mattress fabrics in North America, as measured by total sales, and one of the largest marketers of upholstery fabrics for furniture in North America, again measured by total sales. Our mattress fabrics are used primarily in the production of bedding products, including mattresses, box springs, and mattress sets. Our upholstery fabrics are used in the production of residential and commercial upholstered furniture, sofas, recliners, chairs, loveseats, sectionals, sofa-beds, and office seating. Culp primarily markets fabrics that have broad appeal in the "good" and "better" priced categories of furniture and bedding.

We have two operating segments - mattress fabrics and upholstery fabrics. The mattress fabric business markets woven and knitted fabrics used by bedding manufacturers. The upholstery fabrics segment markets a variety of products in most categories of fabric used as coverings for furniture.

Culp markets a variety of fabrics in different categories, including fabrics produced at our manufacturing facilities and fabrics produced by other suppliers. The company had eight active manufacturing plants and distribution facilities as of the end of fiscal 2009, which are located in North and South Carolina, Quebec, Canada, and Shanghai, China. We also source fabrics from other manufacturers, located primarily in China, Turkey and in the U.S., with almost all of those fabrics being produced specifically for the company and created by Culp designers. We operate distribution centers in North Carolina and Shanghai, China to facilitate distribution of our products. In recent years, the portion of total company sales represented by fabrics produced outside of the U.S. and Canada has increased, while sales of goods produced in the U.S. have decreased. This trend is especially strong in the upholstery fabrics segment, where more than three-fourths of our sales now consist of fabrics produced in Asia.

Total net sales in fiscal 2009 were $204 million. The mattress fabrics segment had net sales of $115 million (57% of total net sales), while the upholstery fabrics segment had net sales of $89 million (43% of total net sales). Fiscal 2008 was the first year that mattress fabric sales exceeded upholstery fabric sales for a full year and the proportion of sales represented by mattress fabric was even higher in fiscal 2009.

Sales declined in both of our segments during fiscal 2009 as compared to fiscal 2008. These declines were mostly caused by extremely weak business conditions in the home furnishings industry, which affects both of our business segments. The decrease in mattress fabrics was smaller (at 16%), while upholstery sales declined by 24%. The decline in mattress fabrics sales reversed a trend of increasing sales in recent years, but the upholstery fabrics decline continued a trend of decreasing sales that has persisted over the last several years.

In mattress fabrics, knitted fabrics has been a growing portion of our sales, as consumer demand for this type of mattress panel covering has risen significantly. During fiscal 2009, we acquired the knitted fabrics business of Bodet & Horst USA, including its manufacturing operation in High Point, North Carolina, which had served as our primary source of knitted mattress fabrics for six years. This acquisition provided us with more control over our ability to supply bedding customers with this increasingly important fabric type.

During the second half of fiscal 2009, we implemented a comprehensive profit improvement plan in the upholstery fabrics segment, which built upon restructuring actions and cost-savings measures we had taken in prior years. This plan had the effect of improving our financial results significantly, despite the lower sales environment. In the upholstery fabrics segment, a significant and growing portion of our fabrics are now produced by other manufacturers, but in most cases the company continues to control important components of the production process, such as design, finishing, quality control and distribution. Microdenier suedes and a variety of other fabrics are now sourced in China through our sourcing, finishing and distribution operation located near Shanghai.

Overall, Culp faced a difficult business environment during all of fiscal 2009, as demand for both bedding and furniture were weak. Management took action to respond to these conditions by scaling back operations where appropriate, controlling costs in other areas, and eliminating complexity from our business, while maintaining a focus on providing customers with products that remain in demand, upholding high levels of customer service, and pursuing a strategic acquisition to secure a key product category. The company continues to position itself as a more flexible fabric producer and marketer, with a smaller fixed asset base than in prior years, and with a more variable cost structure that will allow us to take advantage of opportunities in the bedding and furniture industries as they occur.

Additional information about trends and developments in each of our business segments is provided in the "Segments" discussion below.

General Information

Culp, Inc. was organized as a North Carolina corporation in 1972 and made its initial public offering in 1983. Since 1997, our stock has been listed on the New York Stock Exchange and traded under the symbol "CFI." Our fiscal year is the 52 or 53 week period ending on the Sunday closest to April 30. Our executive offices are located in High Point, North Carolina.

Culp maintains an Internet website at www.culpinc.com. We will make this annual report and our other annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, available free of charge on our Internet site as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. Information included on our website is not incorporated by reference into this annual report.

Segments

Our two operating segments are mattress fabrics and upholstery fabrics. The following table sets forth certain information for each of our segments.

| | Sales by Fiscal Year ($ in Millions) and Percentage of Total Company Sales | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| SEGMENT | Fiscal 2009 | | | Fiscal 2008 | | | Fiscal 2007 | | |
| Mattress Fabrics | $ | 115.4 | (57%) | $ | 138.1 | (54%) | $ | 107.8 | (43%) |
| Upholstery Fabrics | | | | | | | | | |
| Non-U.S.-Produced | $ | 68.1 | (33%) | $ | 75.9 | (30%) | $ | 82.4 | (33%) |
| U.S.-Produced | $ | 20.4 | (10%) | $ | 40.0 | (16%) | $ | 60.3 | (24%) |
| Total Upholstery | $ | 88.5 | (43%) | $ | 115.9 | (46%) | $ | 142.7 | (57%) |
| Total company | $ | 203.9 | (100%) | $ | 254.0 | (100%) | $ | 250.5 | (100%) |

Additional financial information about our operating segments can be found in footnote 19 to the Consolidated Financial Statements included in Item 8 of this report.

Mattress Fabrics. The mattress fabrics segment manufactures and markets mattress fabric to bedding manufacturers. These fabrics encompass woven jacquard fabric, knitted fabric and, to a lesser extent, printed fabric. Culp Home Fashions, as this business is known in the trade, has manufacturing facilities located in Stokesdale and High Point, North Carolina, and St. Jerome, Quebec, Canada. The Stokesdale and St. Jerome plants manufacture and finish jacquard (damask) fabric, and the Stokesdale plant also produces printed fabric. The Stokesdale plant houses the division offices and finished goods distribution capabilities. In August 2008, a third manufacturing plant facility was added when we acquired the knitted mattress fabrics business of Bodet & Horst USA, including its manufacturing facilities in High Point. We have also maintained flexibility in our supply of the major categories of mattress fabrics. All woven jacquard and knitted fabrics can be produced in multiple facilities, (internal or external to the company) providing us with mirrored, reactive capacity.

In recent years, we have taken significant steps to enhance our competitive position in this segment by consolidating all of our mattress fabrics manufacturing into these three manufacturing facilities. The company had capital expenditures during the period fiscal 2005 through 2009 totaling approximately $20.0 million, most of which related to purchase of new weaving machines that are faster and more efficient than the equipment they replaced. Additionally, we had a $1.3 million capital project in fiscal 2008 that significantly enhanced our finishing capabilities in this segment. More recently, during fiscal 2009 we completed a $5.0 million capital project in Stokesdale and St. Jerome to enhance our weaving and finishing capabilities and further increase our capacity and service performance.

The Bodet & Horst acquisition was another step to enhance and secure our competitive position, as we invested $11.4 million to purchase the manufacturing operation that had been serving as our primary source of knitted mattress fabrics for six years. Knitted fabrics have been an increasingly important category of mattress fabrics, with industry sales in this type of fabric growing much faster than other categories. The completion of this acquisition during fiscal 2009 not only secured our supply of knitted mattress fabrics, but allowed for improved supply logistics, greater control of product development, and accelerated responsiveness to our customers. The acquisition included the purchase of equipment, inventory and intellectual property associated with the business, as well as the assumption of a lease for the High Point manufacturing facility. The transaction was financed by the issuance of $11.0 million of unsecured notes with a term of seven years.

Upholstery Fabrics. The upholstery fabrics segment markets fabrics for residential and commercial furniture, including jacquard woven fabrics, velvets, microdenier suedes, woven dobbies, knitted fabrics, and piece-dyed woven products. Historically, all of our upholstery fabrics had been produced in our U.S. manufacturing plants. In fiscal year 2007, however, sales of upholstery fabrics made in non-U.S. locations, including our facilities in China, exceeded U.S.-produced sales for the first time. This trend continued during the next two years, with non-U.S. produced upholstery accounting for almost 77% of our upholstery sales for fiscal 2009 (81% in the fourth quarter).

The upholstery segment operates fabric manufacturing facilities in Anderson, South Carolina, and Shanghai, China. We market fabrics produced in these two locations, as well as a variety of upholstery fabrics sourced from third party producers, mostly in China.

As demand for U.S.-produced upholstery has declined significantly, we took aggressive steps to reduce our U.S. manufacturing costs, capacity, and selling, general and administrative expenses. Our restructuring actions over the past several years reduced our U.S. upholstery operations to the one manufacturing plant in South Carolina and one upholstery distribution facility in Burlington, North Carolina.

The down-sizing of our U.S. upholstery operations represents the continuation of a longer-term trend that has affected the company and the upholstery fabric business for the past eight years. At the end of fiscal 2000, we had fourteen manufacturing plants in the U.S. for upholstery fabrics, with total sales in the segment of $382 million. Total segment sales for fiscal 2009 were $89 million.

During the time that U.S. upholstery operations were shrinking, we established operations in China and gradually expanded them over time to include a variety of activities. The facilities near Shanghai began operations in 2004 with a finishing and inspection operation, where goods woven in China by selected outside suppliers are treated with finishing processes and subjected to U.S. quality control measures before being distributed to customers. In subsequent years, a variety of finished goods (with no further finishing needed) began to be sourced through our China operations, and in fiscal 2006 the operation was expanded to include a facility where upholstery fabrics are cut and sewn into "kits" that are made to the specifications of furniture manufacturing customers in the U.S. Cut and sewn "kit" operations have become an important method for furniture producers to reduce production costs by moving a larger percentage of the labor component of furniture manufacturing to lower cost environments. Other recent developments in our China operations include expansion of our product development and design capabilities in China and further strengthening of key strategic partnerships with mills. We also expanded our marketing efforts to sell our China products in countries other than the U.S., including the Chinese local market.

As our China operation increased the variety of its activities, we took steps to maintain the flexibility of the operation to expand or contract with demand for our products. As business conditions weakened during fiscal 2009 and demand decreased dramatically, we took action to consolidate the China operation and substantially reduce its scale and cost structure. During the year, our China operation was reduced from six facilities to three, with cost reductions of approximately $5 million on an annualized basis.

During these changes in the size of our upholstery operations, our basic strategic approach has not changed. We have moved our upholstery business from one that relied on a large fixed capital base that is difficult to adjust to a more flexible and scalable marketer of upholstery fabrics that meets changing levels of customer demand. At the same time, we have attempted to maintain control of the most important “value added” aspects of our business, such as design, finishing, quality control, and logistics. This strategic approach has allowed us to limit our investment of capital in fixed assets and to lower the costs of our products significantly, while continuing to leverage our design and finishing expertise, industry knowledge and important relationships. In this way, we maintain our ability to provide furniture manufacturers with products from every category of fabric used to cover upholstered furniture, and to meet continually changing demand levels and consumer preferences.

Overview of Industry and Markets

Culp markets products primarily to manufacturers that operate in three principal markets. The mattress fabrics segment supplies the bedding industry, which produces mattress sets (mattresses, box springs, and foundations). The upholstery fabrics segment supplies the residential furniture industry and, to a lesser extent, the commercial furniture industry. The residential furniture market includes upholstered furniture sold to consumers for household use, including sofas, sleep sofas, chairs, recliners and sectionals. The commercial furniture and fabrics market includes upholstered office seating and modular office systems sold primarily for use in offices and other institutional settings, and commercial textile wall covering. The principal industries into which the company sells products are described below.

Overview of Bedding Industry

After many years of steady growth, both in unit volume and average selling prices, the bedding industry experienced a decrease in overall sales in 2008, due to the weak economy and an especially weak housing market. According to the International Sleep Products Association (ISPA), a trade association, the U.S. wholesale bedding industry accounted for an estimated $6.2 billion in sales in 2008, a 9.1% decrease from 2007. The industry is comprised of several hundred manufacturers, but the largest four manufacturers accounted for more than 59% of the total wholesale shipments in 2008, while the top fifteen accounted for approximately 81%. Until recently, the bedding industry has been mature and stable, averaging approximately 6% growth over a twenty year period, with only one year in the twenty years before 2008 experiencing a decline in revenue (by 0.3% in 2001). This stability has been partly due to replacement purchases, which account for an estimated 70% of bedding industry sales. During 2008, however, the U.S. mattress retail environment slowed due to weakened economic conditions. This weakness has persisted into 2009, with significant decreases in bedding sales being reported for the first half of this calendar year.

Despite the overall weakness in the bedding market, the trend toward higher average selling prices for mattresses sold in the U.S. continued during 2008. According to ISPA, while wholesale sales of bedding decreased 9.1% in 2008, the number of units sold decreased by 11.0%. There are indications, however, that sales of higher priced bedding have suffered disproportionally in the current economic downturn. In particular, sales of specialty bedding products, including foam and air-adjustable mattresses, have experienced significant declines after enjoying a position as a faster growing category of bedding prior to 2008. According to industry statistics, specialty bedding producers, which produce mattresses that do not use inner spring construction, saw sales decrease by 17.8% in 2008.

Unlike the residential furniture industry, which has faced intense competition from imports, the bedding industry has faced limited competition from imports. The primary reasons for this fact include: 1) the short lead times demanded by mattress manufacturers and retailers, 2) the limited inventories carried by manufacturers and retailers, 3) the customized nature of each manufacturer and retailer's product lines, 4) high shipping costs, 5) the relatively low direct labor content in mattresses, and 6) strong brand recognition.

Other key trends in the bedding industry include:

- Consumers have become increasingly aware of and are concerned with the health benefits of better sleep. This has caused an increased focus on the quality of bedding products and an apparent willingness on the part of consumers to pay more for bedding. The average selling price of mattress sets has increased in recent years. In recent months, however, due to the economic slowdown, consumers have begun to move toward more value priced mattresses, which over time could lead to a lower overall average price for mattress sets.

- Mattress manufacturers are using common SKUs and less expensive fabric for borders, which is the ticking that goes around the side of the mattresses and box springs. Virtually all of these border fabrics are woven damask ticking of the type we manufacture, and this trend has caused significant pricing pressures in this category of mattress fabric.

- The production of flame-resistant materials for bedding is an increasingly important issue for bedding manufacturers. A national standard for flame resistance in bedding became effective July 1, 2007.

- There is increasing popularity of knitted mattress ticking, as opposed to woven and printed ticking. Knitted ticking was initially used primarily on premium mattresses, but these products are now being placed increasingly on mattresses at mid-range retail price points. Knitted fabric is typically used on the top panel of a mattress, while woven ticking remains the predominant fabric on the borders or sides of mattress sets.

Overview of Residential Furniture Industry

The residential furniture industry has been severely affected by the current economic downturn, with sales declining sharply compared to years prior to 2008. Declines in consumer spending and a very weak housing market led to significantly lower sales of residential furniture in 2008, a trend that appears to be continuing into 2009. According to data published by the American Home Furnishings Alliance (AHFA), a trade association, prior to 2008 the residential furniture industry has been mature and stable, with growth rates at or below the overall growth rate of the U.S. economy. The total value of residential furniture shipments in the U.S. declined slightly during the five-year period through 2007 but had remained in a relatively narrow range for each of those five years. Shipments had declined by 3.9% in 2007 compared to the prior year, and in 2008 retail furniture shipments dropped 14.8% compared to 2007. The overall decline in demand for residential furniture is the dominant trend in the residential furniture industry today, which has caused significant challenges for suppliers to the industry.

Other important trends and issues facing the residential furniture industry include:

- The sourcing of components and fully assembled furniture from overseas continues to play a major role in the residential furniture industry, and sales of imported furniture have declined at a slower rate than the overall industry. According to Furniture/Today, an industry trade publication, imports of residential furniture into the U.S. fell by 6% in 2008, following an increase of 2% from 2006 to 2007. By far, the largest source for these imports continues to be China, which now accounts for approximately 54% of total U.S. furniture imports. In past years, a large majority of furniture imports from China were wooden “casegoods,” but there has been significant recent growth in imports of upholstered furniture components, including upholstery fabric and “cut and sewn kits” for furniture covers. This trend has been especially strong for leather furniture, and it now extends to other coverings, including microdenier suedes and the more traditional types of fabrics manufactured by the company. The shift to offshore sourcing has led to significant deflation in retail furniture prices.

- Imports of upholstery fabric, both in roll and in “kit” form, have increased in recent years. Fabrics entering the U.S. from China and other low labor cost countries are resulting in increased price competition in the upholstery fabric and upholstered furniture markets.

- Leather and suede upholstered furniture has been gaining market share over the last ten years. This trend has increased over the last five years in large part because selling prices of leather furniture have been declining significantly over this time period. We believe, however, that the rate of increase appears to be leveling off and this trend may be weakening.

- The residential furniture industry has been consolidating at the manufacturing level for several years. The result of this trend is fewer, but larger, customers for marketers of upholstery fabrics.

- In recent years, several of the nation's larger furniture manufacturers have opened retail outlets of their own. As top retailers shift floor space to private label imports, manufacturers are focused on distributing their own products. In addition, furniture marketing by "lifestyle" retailers has increased, which has increased the number of retail outlets for residential furniture but has also increased the reliance on private brands or private labels.

Overview of Commercial Furniture Industry

The market for commercial furniture - furniture used in offices and other institutional settings - declined approximately 2.3% from 2007 to 2008, following a 5.5% increase the previous year. The decline in 2008 reflects economic trends affecting businesses, which are the ultimate customers in this industry. This trend appears to be continuing into 2009 along with weak overall business conditions. According to the Business and Institutional Furniture Manufacturer's Association (BIFMA), a trade association, the commercial furniture market in the U.S. totaled approximately $11.2 billion in 2008 in wholesale shipments by manufacturers, a slight decline from the $11.4 billion total for 2007. This total represents a significant decrease from the industry's peak of $13.3 billion in 2000.

Products

As described above, our products include mattress fabrics and upholstery fabrics, which are the company's identified operating segments.

Mattress Fabrics Segment

Mattress fabrics segment sales constituted 57% of sales in fiscal 2009, and 54% in fiscal 2008. The company has emphasized fabrics that have broad appeal at prices generally ranging from $1.35 to $7.50 per yard. The average per yard selling prices for fiscal 2009, 2008, and 2007 were $2.46, $2.44, and $2.35, respectively.

Upholstery Fabrics Segment

Upholstery fabrics segment sales totaled 43% of sales for fiscal 2009, and 46% in fiscal 2008. The company has emphasized fabrics that have broad appeal at "good" and "better" prices, generally ranging from $2.75 to $8.00 per yard. The average per yard selling prices for fiscal 2009, 2008, and 2007 were $4.30, $4.22, and $4.18, respectively.

We market products in all categories of fabric that manufacturers currently use for bedding and furniture. The following table indicates the product lines within each segment, and a brief description of their characteristics.

Culp Fabric Categories by Segment

Mattress Fabrics

| | |
|---|---|
| Woven jacquards | Florals and other intricate designs. Woven on complex looms using a variety of synthetic and natural yarns. |
| Specialty | Suedes, Velours, and other specialty type products are sourced to offer diversity for higher end mattresses. |
| Knitted Ticking | Floral and other intricate designs produced on special-width circular machines utilizing a variety of synthetic and natural yarns. Knitted ticking has inherent stretching properties and spongy softness, and conforms well with layered foam packages. |
| Prints | Variety of designs produced economically by screen printing onto a variety of base fabrics, including jacquards, knits, poly/cotton sheeting and non-wovens. |

Upholstery Fabrics

| | |
|---|---|
| Woven jacquards | Elaborate, complex designs such as florals and tapestries in traditional, transitional and contemporary styles. Woven on intricate looms using a wide variety of synthetic and natural yarns. |
| Woven dobbies | Fabrics that use straight lines to produce geometric designs such as plaids, stripes and solids in traditional and country styles. Woven on less complicated looms using a variety of weaving constructions and primarily synthetic yarns. |
| Velvets | Soft fabrics with a plush feel. Produced with synthetic yarns, either by weaving or by “tufting” yarn into a base fabric. Basic designs such as plaids in both traditional and contemporary styles. |
| Suede fabrics | Fabrics woven or knitted using microdenier polyester yarns, which are piece dyed and finished, usually by sanding. The fabrics are typically plain or small jacquard designs, with some being printed. These are sometimes referred to as microdenier suedes, and some are “leather look” fabrics. |

Manufacturing and Sourcing

Mattress Fabrics Segment

Our mattress fabrics segment operates three manufacturing plants, located in Stokesdale, North Carolina; High Point, North Carolina and St. Jerome, Quebec, Canada. Over the past five fiscal years, we made capital expenditures of approximately $20 million to consolidate all of our production of woven jacquards, or damask ticking, to two of these plants and to modernize the equipment and expand capacity in each of these facilities. The result has been an increase in manufacturing efficiency and a substantial reduction in operating costs. Also, during fiscal 2009 we invested $11.4 million to acquire the U.S. knitted fabrics operation of our primary supplier of knitted mattress fabrics, located in the High Point plant. Jacquard ticking is woven at the Stokesdale and St. Jerome plants, and printed ticking is produced at the Stokesdale facility. Most finishing and inspection processes for mattress fabrics are conducted at the Stokesdale plant.

In addition to the mattress fabrics we manufacture, the company has important supply arrangements in place that allow us to source mattress fabric from strategic suppliers. A portion of our woven jacquard fabric and knitted fabric is obtained from a supplier located in Turkey, based on designs created by Culp designers, and we are sourcing certain specialty ticking products (such as suedes and embroidered fabrics) through our China platform.

Upholstery Fabrics Segment

We currently operate one upholstery manufacturing facility in the U.S. and three in China. The U.S. plant is located in Anderson, South Carolina, and mainly produces velvet upholstery fabrics with some production of certain decorative fabrics.

Our upholstery manufacturing facilities in China are all located within the same industrial area near Shanghai. At these plants, we apply strategic value-added finishing processes to fabrics sourced from a limited number of strategic suppliers in China, and we inspect sourced fabric there as well. In addition, the Shanghai operations include facilities where sourced fabric is cut and sewn to provide “kits” that are designed to be placed on specific furniture frames designated by our customers.

A large portion of our upholstery fabric products, as well as certain elements of our production processes, are now being sourced from outside suppliers. The development of our facilities in China has provided a base from which to access a variety of products, including some fabrics (such as microdenier suedes) that are not produced anywhere within the U.S. We have found opportunities to develop significant relationships with key overseas suppliers that allow us to source products on a cost effective basis while at the same time limiting our investment of capital in manufacturing assets. We source unfinished and finished fabrics from a limited number of strategic suppliers in China who are willing to work with us to commit significant capacity to our needs while working with our product development team to meet the demands of our customers. We also source a substantial portion of our yarns, both for U.S. and China upholstery operations, through our China facilities. The remainder of our yarn is obtained from other suppliers around the world, as we have eliminated our internal yarn production capabilities.

Product Design and Styling

Consumer tastes and preferences related to bedding and upholstered furniture change over time. The use of new fabrics and designs remains an important consideration for manufacturers to distinguish their products at retail and to capitalize on changes in preferred colors, patterns and textures. Culp's success is largely dependent on our ability to market fabrics with appealing designs and patterns.

The process of developing new designs involves maintaining an awareness of broad fashion and color trends both in the United States and internationally. The company has developed an upholstery design and product development team (with staff located in the U.S. and in China) that searches continually for new ideas and for the best sources of raw materials, yarns and fabrics, both domestic and international. The team then develops product offerings using these ideas and materials, taking both fashion trends and cost considerations into account, to offer products designed to meet the needs of furniture manufacturers and ultimately the desires of consumers. Upholstery fabric designs are introduced at major fabric trade conferences that occur twice a year in the United States (June and December). Recently we have become more aggressive in registering copyrights for popular fabric patterns and in taking steps to discourage the illegal copying of our proprietary designs.

Mattress fabric designs are not introduced on a scheduled season. More frequently, designs are introduced upon customer request as they plan introduction to their retailers. Additionally, we work closely with our customers on new design introductions around the major markets such as High Point and Las Vegas.

Distribution

Mattress Fabrics Segment

All of our shipments of mattress fabrics originate from our manufacturing facility in Stokesdale. Through arrangements with major customers and in accordance with industry practice, we maintain a significant inventory of mattress fabrics at our distribution facility in Stokesdale ("make to stock"), so that products may be shipped to customers with short lead times and on a "just in time" basis.

Upholstery Fabrics Segment

The majority of our upholstery fabrics are marketed on a "make to order" basis and are shipped directly from our distribution facilities in Burlington and Shanghai. In addition, an inventory comprising a limited number of sourced fabric patterns is held at our distribution facilities in Burlington and Shanghai from which our customers can obtain quick delivery of sourced fabrics through a program known as "Culp Express." We have developed a revised marketing strategy for our U.S.-produced upholstery products, providing customers with very quick delivery on target products at key price points. This program, known as "Store House," is aimed at driving higher sales volume per fabric pattern and thus should result in improved manufacturing performance and lower unit costs for our U.S. upholstery operations, while employing a smaller fixed asset base.

Sources and Availability of Raw Materials

Mattress Fabrics Segment

Raw materials account for approximately 70% of mattress ticking production costs. The mattress fabrics segment purchases synthetic yarns (polypropylene, polyester and rayon), certain greige (unfinished) goods, latex adhesives, laminates, dyes and other chemicals. Most of these materials are available from several suppliers, and prices fluctuate based on supply and demand, the general rate of inflation, and particularly on the price of petrochemical products. The mattress fabrics segment has generally not had significant difficulty in obtaining raw materials.

Upholstery Fabrics Segment

Raw materials account for approximately 50%-60% of upholstery fabric manufacturing costs for products the company manufactures. This segment purchases synthetic yarns (polypropylene, polyester, acrylic and rayon), acrylic staple fiber, latex adhesives, dyes and other chemicals from various suppliers.

The upholstery fabric segment has now outsourced all of its yarn requirements, and thus it has become more dependent upon suppliers for components yarn. In addition, we have outsourced a number of our U.S. upholstery fabric manufacturing services to suppliers, such as extrusion of yarn and upholstery fabric finishing. Although U.S. produced fabrics are a decreasing portion of our upholstery business, increased reliance by both our U.S. and China upholstery operations on outside suppliers for basic production needs such as base fabrics, yarns, and finishing services has caused the upholstery fabrics segment to become more vulnerable to price increases, delays, or production interruptions caused by problems within businesses that we do not control.

Both Segments

Many of our basic raw materials are petrochemical products or are produced from such products. For this reason, our material costs are especially sensitive to changes in prices for petrochemicals and the underlying price of oil. In addition, the financial condition and performance of a number of U.S.-based yarn suppliers has been severely impacted by the reductions in the overall size of the U.S. textile industry over the last several years. These conditions have increased the risk of business failures or further consolidations among the suppliers to the North American-based portions of our business. We expect this situation to cause additional disruptions and pricing pressures in our supply of certain raw materials, yarns, and textile services obtained in the U.S. as overall demand for textiles produced in the U.S. declines.

Seasonality

Mattress Fabrics Segment

The mattress fabrics business and the bedding industry in general are slightly seasonal, with sales being the highest in late spring and late summer, with another peak in mid-winter.

Upholstery Fabrics Segment

The upholstery fabrics business is somewhat seasonal, with increased sales during our second and fourth fiscal quarters. This seasonality results from one-week closings of our manufacturing facilities and the facilities of most of our customers in the United States during our first and third fiscal quarters for the holiday weeks of July 4th and Christmas. This effect is becoming less pronounced as a larger portion of our fabrics are produced or sold in locations outside the United States.

Competition

Competition for our products is high and is based primarily on price, design, quality, timing of delivery and service.

Mattress Fabrics Segment

The mattress fabrics market is concentrated in a few relatively large suppliers. We believe our principal mattress fabric competitors are Bekaert Textiles B.V., Blumenthal Print Works, Inc., Global Textile Alliance and several smaller companies producing knitted and other fabric.

Upholstery Fabrics Segment

In the upholstery fabric market, we compete against a large number of companies, ranging from a few large manufacturers comparable in size to the company to small producers, and a growing number of “converters” of fabrics (companies who buy and re-sell, but do not manufacture fabrics). We believe our principal upholstery fabric competitors are Richloom Fabrics, Merrimack Fabrics and Morgan Fabrics, and Specialty Textile, Inc. (or STI), plus a large number of smaller competitors (both manufacturers and converters).

Until approximately eight years ago, overseas producers of upholstery fabric had not historically been a source of significant competition. Recent trends, however, have shown significant increased competition in U.S. markets by foreign producers of upholstery fabric, furniture components and finished upholstery furniture, as well as increased sales in the U.S. of leather furniture produced overseas (which competes with upholstered furniture for market share). Imports of upholstery fabric from China have dramatically increased. Foreign manufacturers often are able to produce upholstery fabric and other components of furniture with significantly lower raw material and production costs (especially labor) than those of our U.S. operations and other U.S.-based manufacturers. We compete with lower cost foreign goods on the basis of design, quality, reliability and speed of delivery. In addition, our operations in China allow us to facilitate the sourcing and marketing of goods produced in China.

The trend in the upholstery fabrics industry to greater overseas competition and the entry of more converters has caused the upholstery fabrics industry to become substantially more fragmented in recent years, with lower barriers to entry. This has resulted in a larger number of competitors selling upholstery fabrics, with an increase in competition based on price.

Environmental and Other Regulations

We are subject to various federal and state laws and regulations, including the Occupational Safety and Health Act ("OSHA") and federal and state environmental laws, as well as similar laws governing our manufacturing facilities in China and Canada. We periodically review our compliance with these laws and regulations in an attempt to minimize the risk of violations.

Our operations involve a variety of materials and processes that are subject to environmental regulation. Under current law, environmental liability can arise from previously owned properties, leased properties and properties owned by third parties, as well as from properties currently owned and leased by the company. Environmental liabilities can also be asserted by adjacent landowners or other third parties in toxic tort litigation.

In addition, under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and analogous state statutes, liability can be imposed for the disposal of waste at sites targeted for cleanup by federal and state regulatory authorities. Liability under CERCLA is strict as well as joint and several.

We are periodically involved in environmental claims or litigation and requests for information from environmental regulators. Each of these matters is carefully evaluated, and the company provides for environmental matters based on information presently available. Based on this information, we do not believe that environmental matters will have a material adverse effect on either the company's financial condition or results of operations. However, there can be no assurance that the costs associated with environmental matters will not increase in the future. See the discussion of a current environmental claim against the company below in Item 3 — "Legal Proceedings."

Employees

As of May 3, 2009, we had 1,047 employees, compared to 1,087 at the end of fiscal 2008, and 1,140 at the end of fiscal 2007. The number of employees has decreased substantially over the past several years in connection with our restructuring initiatives and efforts to reduce U.S. upholstery fabrics manufacturing costs, as well as initiatives to outsource certain operations. The number of employees located in the U.S. has decreased even more dramatically, while the number of employees in China has increased (see table below).

The hourly employees at our manufacturing facility in Canada (approximately 15% of the company's workforce) are represented by a local, unaffiliated union. The collective bargaining agreement for these employees expires on February 1, 2011. We are not aware of any efforts to organize any more of our employees, and we believe our relations with our employees are good.

The following table illustrates the changes in the location of our workforce and number of employees, as of year-end, over the past five years.

| | Number of Employees | | | | |
|---|---|---|---|---|---|
| | Fiscal 2009 | Fiscal 2008 | Fiscal 2007 | Fiscal 2006 | Fiscal 2005 |
| Mattress Fabrics Segment | 420 | 373 | 361 | 351 | 372 |
| Upholstery Fabrics Segment | | | | | |
| United States | 119 | 230 | 297 | 659 | 1,404 |
| China | 504 | 481 | 479 | 270 | 109 |
| Total Upholstery Fabrics Segment | 623 | 711 | 776 | 929 | 1,513 |
| Unallocated corporate | 4 | 3 | 3 | 3 | 3 |
| Total | 1,047 | 1,087 | 1,140 | 1,283 | 1,888 |

Customers and Sales

Mattress Fabrics Segment

Major customers for our mattress fabrics include the leading bedding manufacturers: Sealy, Serta (National Bedding), and Simmons. The loss of one or more of these customers would have a material adverse effect on the company. Our largest customer in the mattress fabrics segment is Serta (National Bedding), accounting for approximately 13% of the company's overall sales in fiscal 2009. Our mattress fabrics customers also include many small and medium-size bedding manufacturers.

Upholstery Fabrics Segment

Our major customers for upholstery fabrics are leading manufacturers of upholstered furniture, including Ashley, Bassett, Berkline/Benchcraft, Best Home Furnishings, Flexsteel, Furniture Brands International (Broyhill, Thomasville, and Lane), Klaussner Furniture and La-Z-Boy (La-Z-Boy Residential, Bauhaus, and England). Major customers for the company's fabrics for commercial furniture include HON Industries. Our largest customer in the upholstery fabrics segment is La-Z-Boy Incorporated, the loss of which would have a material adverse effect on the company. Our sales to La-Z-Boy accounted for approximately 12% of the company's total net sales in fiscal 2009.

The following table sets forth the company's net sales by geographic area by amount and percentage of total net sales for the three most recent fiscal years.

Net Sales by Geographic Area
(dollars in thousands)

| | Fiscal 2009 | | Fiscal 2008 | | Fiscal 2007 | |
|---|---|---|---|---|---|---|
| United States | 160,290 | 78.6% | $ 202,701 | 79.8% | $ 197,748 | 78.9% |
| North America (Excluding USA) | 14,440 | 7.1% | 18,880 | 7.4 | 17,310 | 6.9 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Far East and Asia | 27,509 | 13.5 | 28,465 | 11.2 | 32,683 | 13.1 |
| All other areas | 1,699 | 0.8 | 4,000 | 1.6 | 2,792 | 1.1 |
| Subtotal (International) | 43,648 | 21.4 | 51,345 | 20.2 | 52,785 | 21.1 |
| Total | 203,938 | 100% | $ 254,046 | 100.0% | $ 250,533 | 100.0% |

For additional segment information, see note 19 in the consolidated financial statements.

Backlog

Mattress Fabrics Segment

The backlog for mattress fabric is not a reliable predictor of future shipments because the majority of sales are on a just-in-time basis.

Upholstery Fabrics Segment

Although it is difficult to predict the amount of backlog that is "firm," we have reported the portion of the upholstery fabric backlog from customers with confirmed shipping dates within five weeks of the end of the fiscal year. On May 3, 2009, the portion of the upholstery fabric backlog with confirmed shipping dates prior to June 7, 2009 was $8.3 million, all of which are expected to be filled early during fiscal 2010, as compared to $8.8 million as of the end of fiscal 2008 (for confirmed shipping dates prior to June 1, 2008).

ITEM 1A. RISK FACTORS

Our business is subject to risks and uncertainties. In addition to the matters described above under "Cautionary Statement Concerning Forward-Looking Information," set forth below are some of the risks and uncertainties that could cause a material adverse change in our results of operations or financial condition.

Restructuring initiatives create short-term costs that may not be offset by increased savings or efficiencies.

Over the past several years, we have undertaken significant restructuring activities, which have involved closing manufacturing plants, realigning manufacturing assets, and changes in product strategy. These actions are intended to lower manufacturing costs and increase efficiency, but they involve significant costs, including inventory markdowns, the write-off or write-down of assets, severance costs for terminated employees, contract termination costs, equipment moving costs, and similar charges. These charges have caused a decrease in earnings in the short-term. In addition, during the time that restructuring activities are underway, manufacturing inefficiencies are caused by moving equipment, realignment of assets, personnel changes, and by the consolidation process for certain functions. Unanticipated difficulties in restructuring activities or delays in accomplishing our goals could cause the costs of our restructuring initiatives to be greater than anticipated and the results achieved to be significantly lower, which would negatively impact our results of operations and financial condition.

Our sales and profits have been declining in the upholstery fabrics segment.

We may not be able to restore the upholstery fabrics segment to consistent profitability. Sales have continued to decline significantly, especially for U.S. produced fabrics. We have undertaken a number of significant restructuring actions in recent years to address our profitability, including (i) closing a number of upholstery fabric manufacturing facilities, (ii) establishing facilities in China to take advantage of a lower cost environment and greater product diversity, and (iii) outsourcing certain production functions in the U.S., including yarn production, finishing of decorative fabrics, and some weaving. The success of our restructuring efforts depends on a number of variables, including our ability to consolidate certain functions, manage manufacturing processes with lower direct involvement, manage a longer supply chain, and similar issues. Current market conditions in the furniture industry are weak, and our sales of upholstery fabrics have continued to decline in this economic environment. There is no assurance that we will be able to manage our restructuring activities successfully or restore the upholstery fabrics segment to consistent profitability, especially if the economy does not recover in the near future.

Increased reliance on offshore operations and foreign sources of products or raw materials increases the likelihood of disruptions to our supply chain or our ability to deliver products to our customers on a timely basis.

We now rely significantly on operations in distant locations, particularly China, and in addition we have been purchasing an increasing share of our products and raw materials from offshore sources. At the same time, our domestic manufacturing capacity for the upholstery fabrics segment has been greatly reduced. These changes have caused us to place greater reliance on a much longer supply chain and on a larger number of suppliers that we do not control, both of which are inherently subject to greater risks of delay or disruption. In addition, operations and sourcing in foreign areas are subject to the risk of changing local governmental rules, taxes, changes in import rules or customs, potential political unrest, or other threats that could disrupt or increase the costs of operating in foreign areas or sourcing products overseas. Changes in the value of the U.S. dollar versus other currencies can 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 can have a negative impact on our sales of products produced in those countries. Any of the risks associated with foreign operations and sources could cause unanticipated increases in operating costs or disruptions in business, which could negatively impact our ultimate financial results.

We may have difficulty managing the outsourcing arrangements increasingly being used for products and services.

We are relying more on outside sources for various products and services, including yarn and other raw materials, greige (unfinished) fabrics, finished fabrics, and services such as weaving and finishing. Increased reliance on outsourcing lowers our capital investment and fixed costs, but it decreases the amount of control that we have over certain elements of our production capacity. Interruptions in our ability to obtain raw materials or other required products or services from our outside suppliers on a timely and cost effective basis, especially if alternative suppliers cannot be immediately obtained, could disrupt our production and damage our financial results.

Further write-offs or write-downs of assets would result in a decrease in our earnings and shareholders' equity.

The company has long-lived assets, consisting mainly of property, plant and equipment and goodwill. SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," establishes an impairment accounting model for long-lived assets such as property, plant, and equipment and requires the company to assess for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recovered. SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill be tested at least annually for impairment or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recovered. Restructuring activities and other tests for impairment have resulted and could in the future result in the write-down of a portion of our long-lived assets and a corresponding reduction in earnings and net worth. In fiscal 2008, the company experienced asset write-downs of property, plant and equipment of $792,000, of which $503,000 related to the upholstery fabrics segment and $289,000 related to the mattress fabrics segment. In fiscal 2009, we experienced an additional $8 million in similar write-downs in the upholstery fabrics segment. In addition, during fiscal 2009 we recorded a charge of $27.2 million for the establishment of a valuation allowance against substantially all of our net deferred tax assets. The valuation of this asset must be tested on a periodic basis against the likelihood of realizing its full value, and our continued ability to carry this asset at its full value was not justified due to uncertainty in demand for furniture and mattresses and overall weak economic condition.

Changes in the price, availability and quality of raw materials could increase our costs or cause production delays and sales interruptions, which would result in decreased earnings.

We depend upon outside suppliers for most of our raw material needs, and increasingly we rely upon outside suppliers for component materials such as yarn and unfinished fabrics, as well as for certain services such as finishing and weaving. Fluctuations in the price, availability and quality of these goods and services could have a negative effect on our production costs and ability to meet the demands of our customers, which would affect our ability to generate sales and earnings. In many cases, we are not able to pass through increased costs of raw materials or increased production costs to our customers through price increases. In particular, many of our basic raw materials are petrochemical products or are produced from such products. For this reason, our material costs are especially sensitive to changes in prices for petrochemicals and the underlying price of oil. Increases in prices for oil, petrochemical products or other raw materials and services provided by outside suppliers could significantly increase our costs and negatively affect earnings.

Increases in energy costs would increase our operating costs and could adversely affect earnings.

Higher prices for electricity, natural gas and fuel increase our production and shipping costs. A significant shortage, increased prices, or interruptions in the availability of these energy sources would increase the costs of producing and delivering products to our customers, and would be likely to adversely affect our earnings. In many cases, we are not able to pass along the full extent of increases in our production costs to customers through price increases. During fiscal 2008, energy prices increased significantly, in part due to increases in the price of oil and other petrochemical products. Although some price increases were implemented to offset the effect of these increased costs, we were not able to fully recoup these costs, and operating margins were negatively affected. Energy costs eased in fiscal 2009, but remain a volatile element of our costs. Further increases in energy costs could have a negative effect on our earnings.

Business difficulties or failures of large customers could result in a decrease in our sales and earnings.

We currently have several customers that account for a substantial portion of our sales. In the mattress fabric segment, several large bedding manufacturers have large market shares and comprise a significant portion of our mattress fabric sales, with Serta (National Bedding) accounting for approximately 13% of consolidated net sales in fiscal 2009. In the upholstery fabrics segment, La-Z-Boy Incorporated accounted for approximately 12% of consolidated net sales during fiscal 2009, and several other large furniture manufacturers comprised a significant portion of sales. A business failure or other significant financial difficulty by one or more of our major customers could cause a significant loss in sales, an adverse effect on our earnings, and difficulty in collection of our trade accounts receivable.

If we are unable to manage our cash effectively, we will not have funds available to repay debt and to maintain the flexibility necessary for successful operation of our business.

Our ability to meet our cash obligations depends on our operating cash flow, access to trade credit, and our ability to borrow under our debt agreements. In addition to the cash needs of operating our business, we have substantial debt repayments that are due over the next several years on our unsecured senior notes and the debt we issued to acquire Bodet & Horst during fiscal 2009 (see notes 2 and 12 to the consolidated financial statements). Our ability to generate cash flow going forward will depend upon our ability to generate profits from our business, and we have not been able to generate earnings on a consistent basis in recent years. If we are not able to generate cash during the coming year, we may not be able to provide the funds needed to operate and maintain our business or to make payments on our debt as they become due.

Further loss of market share due to competition would result in further declines in sales and could result in additional losses or decreases in earnings.

Our business is highly competitive, and in particular the upholstery fabric industry is fragmented and is experiencing an increase in the number of competitors. As a result, we face significant competition from a large number of competitors, both foreign and domestic. We compete with many other manufacturers of fabric, as well as converters who source fabrics from various producers and market them to manufacturers of furniture and bedding. In many cases, these fabrics are sourced from foreign suppliers who have a lower cost structure than the company. The highly competitive nature of our business means we are constantly subject to the risk of losing market share. Our sales have decreased significantly over the past six years due in part to the increased number of competitors in the marketplace, especially foreign sources of fabric. As a result of increased competition, there have been deflationary pressures on the prices for many of our products, which make it more difficult to pass along increased operating costs such as raw materials, energy or labor in the form of price increases and puts downward pressure on our profit margins. Also, the large number of competitors and wide range of product offerings in our business can make it more difficult to differentiate our products through design, styling, finish and other techniques.

If we fail to anticipate and respond to changes in consumer tastes and fashion trends, our sales and earnings may decline.

Demand for various types of upholstery fabrics and mattress coverings change over time due to fashion trends and changing consumer tastes for furniture and bedding. Our success in marketing our fabrics depends upon our ability to anticipate and respond in a timely manner to fashion trends in home furnishings. If we fail to identify and respond to these changes, our sales of these products may decline. In addition, incorrect projections about the demand for certain products could cause the accumulation of excess raw material or finished goods inventory, which could lead to inventory mark-downs and further decreases in earnings.

A continuation of the current economic downturn could result in a further decrease in our sales and earnings.

Overall demand for our products depends upon consumer demand for furniture and bedding, which is subject to variations in the general economy. Because purchases of furniture or bedding are discretionary purchases for most individuals and businesses, demand for these products is sometimes more easily influenced by economic trends than demand for other products. Economic downturns can affect consumer spending habits and demand for home furnishings, which reduces the demand for our products and therefore could cause a decrease in our sales and earnings. The recent economic slowdown has caused a decrease in consumer spending and demand for home furnishings, including goods that incorporate our products.

We are subject to litigation and environmental regulations that could adversely impact our sales and earnings.

We are, and in the future may be, a party to legal proceedings and claims, including environmental matters, product liability and employment disputes, some of which claim significant damages. We face the continual business risk of exposure to claims that our business operations have caused personal injury or property damage. We maintain insurance against product liability claims and in some cases have indemnification agreements with regard to environmental claims, but there can be no assurance that these arrangements will continue to be available on acceptable terms or that such arrangements will be adequate for liabilities actually incurred. Given the inherent uncertainty of litigation, there can be no assurance that claims against the company will not have a material adverse impact on our earnings or financial condition. We are also subject to various laws and regulations in our business, including those relating to environmental protection and the discharge of materials into the environment. We could incur substantial costs as a result of noncompliance with or liability for cleanup or other costs or damages under environmental laws or other regulations.

We must comply with a number of governmental regulations applicable to our business, and changes in those regulations could adversely affect our business.

Our products and raw materials are and will continue to be subject to regulation in the United States by various federal, state and local regulatory authorities. In addition, other governments and agencies in other jurisdictions regulate the manufacture, sale and distribution of our products and raw materials. For example, standards for flame resistance of fabrics have been recently adopted on a nationwide basis. Also, rules and restrictions regarding the importation of fabrics and other materials, including custom duties, quotas and other regulations, are continually changing. Environmental laws, labor laws, tax regulations and other regulations continually affect our business. All of these rules and regulations can and do change from time to time, which can increase our costs or require us to make changes in our manufacturing processes, product mix, sources of products and raw materials, or distribution. Changes in the rules and regulations applicable to our business may negatively impact our sales and earnings.

The company's market capitalization and shareholders equity have fallen below the level required for continued listing on the New York Stock Exchange.

Our common stock is currently traded on the New York Stock Exchange (NYSE). Under the NYSE's current listing standards, we are required to have market capitalization or shareholders equity of more than $50 million to maintain compliance with continued listing standards, pursuant to a recently enacted temporary rule that is expected to become permanent. At the end of fiscal 2009, the company's market capitalization and shareholders equity are both now below $50 million. As a result, the company is listed as "below compliance" with NYSE listing standards, and we have been required to submit a plan regarding our ability to return to compliance with these standards. This plan was submitted in the third quarter of fiscal 2009 and has been approved by the NYSE. Regardless of this plan, if our average market capitalization over a 30 trading-day period is below $15 million pursuant to the temporary rule, under standard NYSE rules, the NYSE would be expected to start immediate delisting procedures. If the company is not able to return to and maintain compliance with the NYSE standards, our stock will be delisted from trading on the NYSE, resulting in the need to find another market on which our stock can be listed or causing our stock to cease to be traded on an active market, which could result in a reduction in the liquidity for our stock and a reduction in demand for our stock. At May 3, 2009, our shareholders' equity was $48 million and the consecutive 30 trading-day period average market capitalization was $45.8 million.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Our headquarters are located in High Point, North Carolina. As of the end of fiscal 2009, we owned or leased eight active manufacturing and distribution facilities and our corporate headquarters. The following is a list of our principal administrative, manufacturing and distribution facilities. The manufacturing facilities and distribution centers are organized by segment.

| Location | | Principal Use | Approx. Total Area (Sq. Ft.) | Expiration of Lease (1) |
|---|---|---|---|---|
| · Administrative: | | | | |
| | High Point, North Carolina (2) | Upholstery fabric division offices and corporate headquarters | 56,880 | 2019 |
| · Mattress Fabrics: | | | | |
| | Stokesdale, North Carolina | Manufacturing, distribution, and division offices | 230,000 | Owned |
| | High Point, North Carolina | Manufacturing | 63,522 | 2013 |
| | St. Jerome, Quebec, Canada | Manufacturing | 202,500 | Owned |
| · Upholstery Fabrics: | | | | |
| | Anderson, South Carolina | Manufacturing | 99,000 | Owned |
| | Burlington, North Carolina | Finished goods distribution | 132,000 | 2009 |
| | Shanghai, China | Manufacturing and offices | 69,000 | 2009 |
| | Shanghai, China | Manufacturing and warehousing | 90,000 | 2012 |
| | Shanghai, China | Manufacturing and warehousing | 101,632 | 2010 |

(1) Includes all options to renew.

(2) We are currently occupying the entire building. In the event we elect to renew the lease on April 1, 2012, the leased premises during any renewal period (see note 4 to the consolidated financial statements) will be 1/3 of the current occupied space of 56,880 square feet.

We believe that our facilities are in good condition, well-maintained and suitable and adequate for present utilization. Due to the continuation of significant restructuring efforts in the upholstery fabrics segment during fiscal 2009, including closing multiple plant locations, determining an accurate measure of capacity in this segment is difficult. In the mattress fabrics segment, however, management has estimated that the company has manufacturing capacity to produce approximately 10% more products (measured in yards) than it sold during fiscal 2009. In addition, the company has the ability to source additional mattress ticking and upholstery fabrics from outside suppliers, further increasing its ultimate output of finished goods.

## ITEM 3. LEGAL PROCEEDINGS

A lawsuit was filed against the company and other defendants (Chromatex, Inc., Rossville Industries, Inc., Rossville Companies, Inc. and Rossville Investments, Inc.) on February 5, 2008 in United States District Court for the Middle District of Pennsylvania. The plaintiffs are Alan Shulman, Stanley Siegel, Ruth Cherenson as Personal Representative of Estate of Alan Cherenson, and Adrienne Rolla and M.F. Rolla as Executors of the Estate of Joseph Byrnes. The plaintiffs were partners in a general partnership that formerly owned a manufacturing plant in West Hazleton, Pennsylvania (the "Site"). Approximately two years after this general partnership sold the Site to defendants Chromatex, Inc. and Rossville Industries, Inc. the company leased and operated the Site as part of the company's Rossville/Chromatex division. The lawsuit involves court judgments that have been entered against the plaintiffs and against defendant Chromatex, Inc. requiring them to pay costs incurred by the United States Environmental Protection Agency ("USEPA") responding to environmental contamination at the Site, in amounts approximating $8.6 million. Neither USEPA nor any other governmental authority has asserted any claim against the company on account of these matters. The plaintiffs seek contribution from the company and other defendants and a declaration that the company and the other defendants are responsible for environmental response costs under environmental laws and certain agreements. The company does not believe it has any liability for the matters described in this litigation and intends to defend itself vigorously. In addition, the company has an indemnification agreement with certain other defendants in the litigation pursuant to which the other defendants agreed to indemnify the company for any damages it incurs as a result of the environmental matters that are subject of this litigation. For these reasons, no reserve has been recorded.

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

There were no matters submitted to a vote of shareholders during the fourth quarter ended May 3, 2009.

# PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Registrar and Transfer Agent

Computershare Trust Company, N.A.
c/o Computershare Investor Services
Post Office Box 43078
Providence, Rhode Island 02940-3078
(800) 254-5196
(781) 575-2879 (Foreign shareholders)
www.computershare.com/investor

Stock Listing

Culp, Inc. common stock is traded on the New York Stock Exchange ("NYSE") under the symbol CFI. As of May 3, 2009, Culp, Inc. had approximately 1,200 shareholders based on the number of holders of record and an estimate of individual participants represented by security position listings.

On December 11, 2008, the New York Stock Exchange ("NYSE') provided formal notice to the company that it was not in compliance with the NYSE's continued listing standards as the company's consecutive 30 trading-day period average market capitalization was less than $75 million and its most recently reported shareholders' equity was below $75 million ($46.5 million at November 2, 2008, the most recently reported date prior to the NYSE notification). Under applicable NYSE procedures, the company had 45 days from the date of its receipt of the notice to submit a plan to the NYSE to demonstrate its ability to achieve compliance with the continued listing standards within 18 months. The company submitted its plan to demonstrate compliance with the listing standards within the required 45 day time frame. On March 6, 2009, this plan was approved by the NYSE. The NYSE will monitor the company on a quarterly basis and can deem the plan period over prior to the end of the 18 months if a company is able to demonstrate returning to compliance with the applicable continued listing standards (which would mean the company would have to either increase its shareholders' equity to $75 million or demonstrate market capitalization of at least $75 million), or achieve the ability to qualify under an original listing standard, for a period of two consecutive quarters. Regardless of this plan, if our average market capitalization over a 30 trading-day period is below $15 million pursuant to temporary rule, under standard NYSE rules, the NYSE would be expected to start immediate delisting procedures.

Effective May 12, 2009, the NYSE received approval from the SEC for a pilot program that would lower the numeric thresholds in the above mentioned requirements to $50 million. This pilot program would be effective through October 31, 2009, with a subsequent rule filing anticipated prior to this date to make this a permanent continued listing standard change.

At May 3, 2009 our shareholders' equity was $48.0 million and our consecutive 30 trading-day period average market capitalization was $45.8 million.

Analyst Coverage

These analysts cover Culp, Inc.:

Raymond, James & Associates - Budd Bugatch, CFA
Value Line - Craig Sirois

Dividends and Share Repurchases

We have not paid a cash dividend nor repurchased any of our common stock from our shareholders during the past three years. Our agreements with our lenders associated with the Bodet & Horst and existing unsecured term notes allow the payment of dividends and common stock share repurchases if certain financial tests are met as defined in these agreements.

Performance Comparison

The following graph shows changes over the five-year period ended May 3, 2009 in the value of $100 invested in (1) the common stock of the company, (2) the Hemscott Textile Manufacturing Group Index (formerly named Core Data Textile Manufacturing Group Index) reported by Standard and Poor's, consisting of twelve companies (including the company) in the textile industry, and (3) the Standard & Poor's 500 Index.

The graph assumes an initial investment of $100 at the end of fiscal 2004 and the reinvestment of all dividends during the periods identified.

Market Information

See Item 6, Selected Financial Data, and Selected Quarterly Data in Item 8, for market information regarding the company’s common stock.

ITEM 6. SELECTED FINANCIAL DATA

| (amounts in thousands, except per share amounts) | | fiscal 2009 | fiscal 2008 | fiscal 2007 | fiscal 2006 | fiscal 2005 | percent change 2009/2008 |
|---|---|---|---|---|---|---|---|
| INCOME (LOSS) STATEMENT DATA | | | | | | | |
| net sales | $ | 203,938 | 254,046 | 250,533 | 261,101 | 286,498 | (19.7) % |
| cost of sales (6) | | 179,286 | 220,887 | 219,328 | 237,233 | 260,341 | (18.8) |
| gross profit | | 24,652 | 33,159 | 31,205 | 23,868 | 26,157 | (25.7) |
| selling, general, and administrative expenses (6) | | 19,751 | 23,973 | 27,030 | 28,954 | 35,357 | (17.6) |
| goodwill impairment | | - | - | - | - | 5,126 | - |
| restructuring expense and asset impairment (6) | | 9,471 | 886 | 3,534 | 10,273 | 10,372 | N.M. |
| (loss) income from operations | | (4,570) | 8,300 | 641 | (15,359) | (24,698) | N.M. |
| interest expense | | 2,359 | 2,975 | 3,781 | 4,010 | 3,713 | (20.7) |
| interest income | | (89) | (254) | (207) | (126) | (134) | (65.0) |
| other expense | | 43 | 736 | 68 | 634 | 517 | (94.2) |
| (loss) income before income taxes | | (6,883) | 4,843 | (3,001) | (19,877) | (28,794) | N.M. |
| income taxes | | 31,959 | (542) | (1,685) | (8,081) | (10,942) | N.M. |
| net (loss) income | $ | (38,842) | 5,385 | (1,316) | (11,796) | (17,852) | N.M. |
| depreciation (7) | | 6,712 | 5,548 | 7,849 | 14,362 | 18,884 | 21.0 |
| weighted average shares outstanding | | 12,651 | 12,624 | 11,922 | 11,567 | 11,549 | 0.2 |
| weighted average shares outstanding, assuming dilution | | 12,651 | 12,765 | 11,922 | 11,567 | 11,549 | (0.9) |
| PER SHARE DATA | | | | | | | |
| net income (loss) per share - basic | $ | (3.07) | 0.43 | (0.11) | (1.02) | (1.55) | N.M. |
| net income (loss) per share - diluted | $ | (3.07) | 0.42 | (0.11) | (1.02) | (1.55) | N.M. |
| book value | | 3.76 | 6.83 | 6.29 | 6.39 | 7.43 | (44.9) |
| BALANCE SHEET DATA | | | | | | | |
| operating working capital (5) | $ | 23,503 | 38,368 | 46,335 | 44,907 | 56,471 | (38.7) % |

| | | | | | | |
|---|---|---|---|---|---|---|
| property, plant and equipment, net | 24,253 | 32,939 | 37,773 | 44,639 | 66,032 | (26.4) |
| total assets | 95,294 | 148,029 | 159,946 | 157,467 | 176,123 | (35.6) |
| capital expenditures | 3,160 | 6,928 | 4,227 | 6,470 | 14,360 | (54.4) |
| long-term debt and lines of credit (1) | 16,368 | 21,423 | 40,753 | 47,722 | 50,550 | (23.6) |
| shareholders' equity | 48,031 | 86,359 | 79,077 | 74,523 | 85,771 | (44.4) |
| capital employed (3) | 52,602 | 102,868 | 109,661 | 112,531 | 131,214 | (48.9) |
| RATIOS & OTHER DATA | | | | | | |
| gross profit margin | 12.1% | 13.1% | 12.5% | 9.1% | 9.1% | |
| operating income (loss) margin | (2.2)% | 3.3% | 0.3% | (5.9)% | (8.6)% | |
| net income (loss) margin | (19.0)% | 2.1% | (0.5)% | (4.5)% | (6.2)% | |
| effective income tax rate | (464.3)% | (11.2)% | 56.1% | 40.7% | 38.0% | |
| long-term debt to total capital employed ratio (1) | 31.1% | 20.8% | 37.2% | 42.4% | 38.5% | |
| operating working capital turnover (5) | 6.4 | 5.8 | 5.3 | 5.0 | 4.8 | |
| days sales in receivables | 32 | 37 | 41 | 39 | 35 | |
| inventory turnover | 6.0 | 5.8 | 5.7 | 5.4 | 5.2 | |
| STOCK DATA | | | | | | |
| stock price | | | | | | |
| high | $ 7.91 | 12.30 | 8.52 | 5.23 | 9.10 | |
| low | 1.30 | 6.12 | 4.24 | 3.83 | 4.20 | |
| close | 4.40 | 7.53 | 8.50 | 4.64 | 4.70 | |
| P/E ratio (2) | | | | | | |
| high (4) | N.M. | 29 | N.M. | N.M. | N.M. | |
| low (4) | N.M. | 15 | N.M. | N.M. | N.M. | |
| daily average trading volume (shares) | 19.2 | 38.3 | 17.8 | 12.5 | 21.1 | |

(1) Long-term debt includes long-term and current maturities of long-term debt and lines of credit.

(2) P/E ratios based on trailing 12-month net income per share.

(3) Capital employed includes long-term and current maturities of long-term debt, lines of credit, and shareholders' equity, offset by cash and cash equivalents.

(4) N.M – Not meaningful

(5) Operating working capital for this calculation is accounts receivable and inventories, offset by accounts payable.

(6) The company incurred restructuring and related charges in fiscal 2009, 2008, 2007, 2006 and 2005. See note 3 of the company's consolidated financial statements

(7) Includes accelerated depreciation of $2.1 $1.2, $5.0 and $6.0 million for fiscal 2009, 2007, 2006 and 2005, respectively.

No accelerated depreciation was recorded in fiscal 2008.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes attached thereto.

Overview

Our fiscal year is the 52 or 53 week period ending on the Sunday closest to April 30. The year ended May 3, 2009 included 53 weeks. The years ended and April 27, 2008 and April 29, 2007, each included 52 weeks. Our operations are classified into two business segments: mattress fabrics and upholstery fabrics. The mattress fabrics segment primarily manufactures, sources, and sells fabrics to bedding manufacturers. The upholstery fabrics segment sources, manufacturers and sells fabrics primarily to residential and commercial (contract) furniture manufacturers.

We evaluate the operating performance of our segments based upon income (loss) from operations before restructuring and related charges, certain unallocated corporate expenses, and other non-recurring items. Cost of sales in both segments include costs to manufacture or source our products, including costs such as raw material and finished goods purchases, direct and indirect labor, overhead and incoming freight charges. Unallocated corporate expenses primarily represent compensation and benefits for certain executive officers and all costs related to being a public company. Segment assets include assets used in the operation of each segment and primarily consist of accounts receivable, inventories, and property, plant and equipment. The mattress fabrics segment also includes in segment assets, assets held for sale, goodwill, and other current and non-current assets purchased during fiscal 2007 from the International Textile Group, Inc. (ITG) related to its mattress product line and purchased in fiscal 2009 from Bodet & Horst USA, LP and Bodet & Horst GMBH & Co. KG (Bodet & Horst) related to its knitted mattress fabric operation. The upholstery fabrics segment also includes assets held for sale in segment assets.

For fiscal 2009, our overall net sales decreased 20% to $203.9 million, compared with $254.0 million for fiscal 2008. This sales decrease reflects unprecedented weak consumer demand in both the bedding and furniture industries and the planned discontinuance of certain products in both segments. The company reported a pre-tax loss of $6.9 million, which includes restructuring and related charges of $13.1 million, for fiscal 2009. We reported pre-tax income of $4.8 million, which includes restructuring and related charges of $2.9 million in fiscal 2008. The change in the our pre-tax results primarily results from an increase in restructuring and related charges in the upholstery fabrics segment of $13.1 million in fiscal 2009 compared with $2.9 million, in fiscal 2008. Of the $13.1 million restructuring and related charges in fiscal 2009, $11.5 million and $1.6 million represent non-cash and cash charges, respectively. Of the $2.9 million restructuring and related charges in fiscal 2008, $1.5 million and $1.4 million represent non-cash and cash charges, respectively.

We reported a net loss of $38.8 million in fiscal 2009, or $3.07 per diluted share, compared with net income of $5.4 million, or $0.42 per diluted share, for fiscal 2008. The net loss for fiscal 2009 included a $27.2 million non-cash charge, or $2.15 per diluted share, for the establishment of a valuation allowance against substantially all of our net deferred tax assets, and $13.1 million, or $1.03 per diluted share, in restructuring and related charges noted above.

At the segment level, mattress fabrics reported sales of $115.4 million in fiscal 2009 compared with $138.1 million for fiscal 2008. Operating income was $13.2 million in fiscal 2009 compared with $14.1 million in fiscal 2008. Operating margins improved to 11.5% in fiscal 2009 compared with 10.2% in fiscal 2008. Despite lower sales, operating margins increased due to operational improvements made possible by capital projects and the acquisition of the knitted mattress fabrics operation of Bodet & Horst. For upholstery fabrics, net sales were $88.5 million in fiscal 2009 compared with $115.9 million for fiscal 2008. Operating loss for fiscal 2009 was $1.5 million compared with operating income of $1.2 million in fiscal 2008. This decrease in earnings reflects the continued soft demand industry wide for upholstery fabrics. Although the segment experienced an operating loss for fiscal 2009, substantial improvement was achieved in the second half of fiscal 2009, leading to an approximate $700,000 operating profit in the third and fourth quarters.

From a balance sheet perspective, in spite of the unprecedented weak consumer demand in the bedding and furniture industries and the resulting net loss, our financial position strengthened in fiscal 2009. Our cash and cash equivalents were $11.8 million at May 3, 2009 compared with $4.9 million at April 27, 2008. This increase in cash and cash equivalents reflects cash flow from operations in fiscal 2009 of $22.8 million compared with $16.4 million in fiscal 2008. The increase in cash flow from operations is due to consistent profitability in the mattress fabrics segment and working capital reductions in both segments. We repaid $16.1 million in long-term debt in fiscal 2009, of which $4.6 million related to principal payments due in March and June 2010. Our long-term debt balance was $16.4 million and $21.4 million at May 3, 2009 and April 27, 2008, respectively. The long-term debt balance of $16.4 million includes an $11.0 million unsecured term loan added in the second quarter of fiscal 2009 to finance the purchase of the knitted mattress fabrics operation of Bodet & Horst. Also, our long-term debt balance of $16.4 million is unsecured, with scheduled principal payments of $4.7 million, $168,000, and $2.4 million in fiscal 2010, 2011, and 2012, respectively.

Results of Operations

The following table sets forth certain items in the company's consolidated statements of net (loss) income as a percentage of net sales.

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of sales | 87.9 | 86.9 | 87.5 |
| Gross profit | 12.1 | 13.1 | 12.5 |
| Selling, general and administrative expenses | 9.7 | 9.4 | 10.8 |
| Restructuring expense | 4.6 | 0.3 | 1.4 |
| (Loss) income from operations | (2.2) | 3.3 | 0.3 |
| Interest expense, net | 1.2 | 1.1 | 1.4 |
| Other expense | 0.0 | 0.3 | 0.0 |
| (Loss) income before income taxes | (3.4) | 1.9 | (1.2) |
| Income taxes * | (464.3) | (11.2) | 56.1 |
| Net (loss) income | (19.0)% | 2.1% | (0.5)% |

* Calculated as a percentage of (loss) income before income taxes.

The following tables set forth the company's statements of operations by segment for the fiscal years ended May 3, 2009, April 27, 2008, and April 29, 2007.

CULP, INC.
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE TWELVE MONTHS ENDED MAY 3, 2009 AND APRIL 27, 2008

(Amounts in thousands)

| | YEARS ENDED | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Amounts | | | | | | Percent of Total Sales | |
| Net Sales by Segment | | May 3, 2009 | | April 27, 2008 | | % Over (Under) | May 3, 2009 | April 27, 2008 |
| Mattress Fabrics | $ | 115,396 | | 138,064 | | (16.4) % | 56.6% | 54.3 % |
| Upholstery Fabrics | | 88,542 | | 115,982 | | (23.7) % | 43.4% | 45.7 % |
| Net Sales | $ | 203,938 | | 254,046 | | (19.7) % | 100.0% | 100.0 % |
| Gross Profit by Segment | | | | | | | Gross Profit Margin | |
| Mattress Fabrics | $ | 20,996 | | 22,576 | | (7.0) % | 18.2% | 16.4 % |
| Upholstery Fabrics | | 7,253 | | 12,829 | | (43.5) % | 8.2% | 11.1 % |
| Subtotal | | 28,249 | | 35,405 | | (20.2) % | 13.9% | 13.9 % |
| Loss on impairment of equipment | | - | | (289) | (2) | (100.0) % | 0.0% | (0.1) % |
| Restructuring related charges | | (3,597) | (1) | (1,957) | (1) | 83.8 % | (1.8) % | (0.8) % |
| Gross Profit | $ | 24,652 | | 33,159 | | (25.7) % | 12.1% | 13.1 % |
| Selling, General and Administrative expenses by Segment | | | | | | | Percent of Sales | |