INTERFACE INC
Form 10-Q
May 14, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarterly Period Ended April 4, 2010

Commission File Number 001-33994

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

GEORGIA (State or other jurisdiction of incorporation or organization)	58-1451243 (I.R.S. Employer Identification No.)

2859 PACES FERRY ROAD, SUITE 2000, ATLANTA, GEORGIA 30339
(Address of principal executive offices and zip code)

(770) 437-6800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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 þ Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Shares outstanding of each of the registrant's classes of common stock at May 7, 2010:

Class	Number of Shares
Class A Common Stock, $.10 par value per share	56,700,133
Class B Common Stock, $.10 par value per share	6,785,052

INTERFACE, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERFACE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(IN THOUSANDS)

	APRIL 4, 2010 (UNAUDITED)	JANUARY 3, 2010
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 71,376	$115,363
Accounts Receivable, net	129,920	129,833
Inventories	115,846	112,249
Prepaid Expenses and Other Current Assets	24,073	19,649
Deferred Income Taxes	9,831	9,379
Assets of Business Held for Sale	1,500	1,500
TOTAL CURRENT ASSETS	352,546	387,973
PROPERTY AND EQUIPMENT, less accumulated depreciation	157,413	162,269
DEFERRED TAX ASSET	45,048	44,210
GOODWILL	76,297	80,519
OTHER ASSETS	53,889	52,268
TOTAL ASSETS	$ 685,193	$727,239
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable	$ 42,557	$35,614
Accrued Expenses	97,100	101,143
Current Portion of Long-Term Debt	--	14,586
TOTAL CURRENT LIABILITIES	139,657	151,343
SENIOR NOTES	145,498	145,184
SENIOR SUBORDINATED NOTES	110,000	135,000
DEFERRED INCOME TAXES	6,164	7,029
OTHER	41,075	42,502
TOTAL LIABILITIES	442,394	481,058
Commitments and Contingencies		
SHAREHOLDERS' EQUITY:		
Preferred Stock	--	--
Common Stock	6,336	6,328
Additional Paid-In Capital	345,321	343,348
Accumulated Deficit	(53,620)	(55,332)
Accumulated Other Comprehensive Income – Foreign Currency Translation Adjustment	(33,476)	(24,057)
Accumulated Other Comprehensive Income – Pension Liability	(31,358)	(33,186)
TOTAL SHAREHOLDERS' EQUITY – Interface, Inc.	233,203	237,101

Noncontrolling interest in subsidiary	9,596	9,080
TOTAL SHAREHOLDERS' EQUITY	242,799	246,181
	$ 685,193	$727,239

See accompanying notes to consolidated condensed financial statements.

INTERFACE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED	
	APRIL 4, 2010	APRIL 5, 2009
NET SALES	$217,191	$199,308
Cost of Sales	143,817	136,139
GROSS PROFIT ON SALES	73,374	63,169
Selling, General and Administrative Expenses	56,488	54,371
Restructuring Charge	3,131	5,724
OPERATING INCOME	13,755	3,074
Interest Expense	8,822	7,673
Bond Retirement Expenses	1,085	--
Other Expense (Income)	98	(750)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	3,750	(3,849)
Income Tax Expense (Benefit)	1,644	(476)
Income (Loss) from Continuing Operations	2,106	(3,373)
Loss from Discontinued Operations, Net of Tax	--	(650)
NET INCOME (LOSS)	2,106	(4,023)
Net Income Attributable to Noncontrolling Interests in Subsidiary	(236)	(129)
NET INCOME (LOSS) ATTRIBUTABLE TO INTERFACE, INC.	$1,870	$(4,152)
Earnings (Loss) Per Share Attributable to Interface, Inc. Common Shareholders – Basic		
Continuing Operations	$0.03	$(0.06)
Discontinued Operations	--	(0.01)
Earnings (Loss) Per Share Attributable to Interface, Inc. Common Shareholders – Basic	$0.03	$(0.07)
Earnings (Loss) Per Share Attributable to Interface, Inc. Common Shareholders – Diluted		
Continuing Operations	$0.03	$(0.06)
Discontinued Operations	--	(0.01)
Earnings (Loss) Per Share Attributable to Interface, Inc. Common Shareholders – Diluted	$0.03	$(0.07)
Common Shares Outstanding – Basic	63,332	61,770
Common Shares Outstanding – Diluted	63,874	61,770

See accompanying notes to consolidated condensed financial statements.

INTERFACE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(IN THOUSANDS)

	THREE MONTHS ENDED	
	APRIL 4, 2010	APRIL 5, 2009
Net Income (Loss)	$2,106	$(4,023)
Other Comprehensive Income, Foreign Currency Translation Adjustment and Pension Liability Adjustment	(7,313)	(7,294)
Comprehensive Loss	$(5,207)	$(11,317)
Comprehensive Loss (Income) Attributable to Noncontrolling Interests in Subsidiary	(516)	91
Comprehensive Loss Attributable to Interface, Inc.	$(5,723)	$(11,226)

See accompanying notes to consolidated condensed financial statements.

INTERFACE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS)

	THREE MONTHS ENDED	
	APRIL 4, 2010	APRIL 5, 2009
OPERATING ACTIVITIES:		
Net income (loss)	$2,106	$(4,023)
Loss from discontinued operations	--	650
Income (loss) from continuing operations	2,106	(3,373)
Adjustments to reconcile income (loss) to cash used in operating activities:		
Depreciation and amortization	6,124	6,248
Deferred income taxes and other	(2,183)	(4,531)
Working capital changes:		
Accounts receivable	(1,464)	30,143
Inventories	(4,374)	2,289
Prepaid expenses	(6,227)	(4,320)
Accounts payable and accrued expenses	7,151	(27,734)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,133	(1,278)
INVESTING ACTIVITIES:		
Capital expenditures	(2,846)	(5,557)
Other	(896)	874
CASH USED IN INVESTING ACTIVITIES	(3,742)	(4,683)
FINANCING ACTIVITIES:		
Repurchase of senior notes	(39,586)	(10,325)
Proceeds from issuance of common stock	296	--
Premiums paid to repurchase senior notes	(792)	--
Dividends paid	(158)	(162)
CASH USED IN FINANCING ACTIVITIES:	(40,240)	(10,487)
Net cash used in operating, investing and financing activities	(42,849)	(16,448)
Effect of exchange rate changes on cash	(1,138)	(421)
CASH AND CASH EQUIVALENTS:		
Net change during the period	(43,987)	(16,869)
Balance at beginning of period	115,363	71,757
Balance at end of period	$71,376	$54,888

See accompanying notes to consolidated condensed financial statements.

INTERFACE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1 – CONDENSED FOOTNOTES

As contemplated by the Securities and Exchange Commission (the "Commission") instructions to Form 10-Q, the following footnotes have been condensed and, therefore, do not contain all disclosures required in connection with annual financial statements. Reference should be made to the Company's year-end financial statements and notes thereto contained in its Annual Report on Form 10-K for the fiscal year ended January 3, 2010, as filed with the Commission.

The financial information included in this report has been prepared by the Company, without audit. In the opinion of management, the financial information included in this report contains all adjustments (all of which are normal and recurring) necessary for a fair presentation of the results for the interim periods. Nevertheless, the results shown for interim periods are not necessarily indicative of results to be expected for the full year. The January 3, 2010, consolidated condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States.

As described below in Note 9, the Company has sold its Fabrics Group business segment. The results of operations and related disposal costs, gains and losses for this business are classified as discontinued operations for all periods presented.

The Company has evaluated subsequent events through the date of issuance of these financial statements.

Additionally, certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE 2 – INVENTORIES

Inventories are summarized as follows:

	April 4, 2010	January 3, 2010
	(In thousands)	
Finished Goods	$65,868	$65,478
Work in Process	15,972	15,764
Raw Materials	34,006	31,007
	$115,846	$112,249

NOTE 3 – EARNINGS (LOSS) PER SHARE

The Company computes basic earnings (loss) per share ("EPS") attributable to common stockholders by dividing income from continuing operations attributable to common stockholders, income from discontinued operations attributable to common stockholders and net income attributable to common stockholders, by the weighted-average common shares outstanding, including participating securities outstanding, during the period as discussed below. Diluted EPS reflects the potential dilution beyond shares for basic EPS that could occur if securities or other contracts to issue common stock were exercised, converted into common stock or resulted in the issuance of common stock that would have shared in the Company's earnings.

In the first quarter of 2009, the Company adopted an accounting standard which requires the Company to include all unvested stock awards which contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, in the number of shares outstanding in our basic and diluted EPS calculations when the inclusion of these shares would be dilutive. Because the Company was in a loss from continuing operations position for the first quarter of 2009, these participating securities were not included in the determination of EPS because to do so would be anti-dilutive. This new standard also requires additional disclosure of EPS for common stock and unvested share-based payment awards, separately disclosing distributed and undistributed earnings. Distributed earnings represent common stock dividends and dividends earned on unvested share-based payment awards. Undistributed earnings represent earnings that were available for distribution but were not distributed. Unvested share-based awards of restricted stock are paid dividends equally with all other shares of common stock. The following tables show distributed and undistributed earnings:

	Three Months Ended	
	April 4, 2010	April 5, 2009
Earnings (Loss) Per Share from Continuing Operations		
Basic Earnings (Loss) Per Share Attributable to Common Stockholders:		
Distributed Earnings	$--	$--
Undistributed Earnings (Loss)	0.03	(0.06)
Total	$0.03	$(0.06)
Diluted Earnings (Loss) Per Share Attributable to Common Stockholders:		
Distributed Earnings	$--	$--
Undistributed Earnings (Loss)	0.03	(0.06)
Total	$0.03	$(0.06)
Earnings (Loss) Per Share from Discontinued Operations		
Basic and Diluted Earnings (Loss) Per Share Attributable to Common Stockholders:		
Distributed Earnings	$--	$--
Undistributed Earnings (Loss)	--	(0.01)
Total	$--	$(0.01)
Basic Earnings (Loss) Per Share	$0.03	$(0.07)
Diluted Earnings (Loss) Per Share	$0.03	$(0.07)

For all periods presented, there were no significant amounts of income (loss) from continuing operations or net income (loss) attributable to Interface, Inc. that were attributable to participating securities.

The weighted average shares for basic and diluted EPS were as follows:

	Three Months Ended	
	April 4, 2010	April 5, 2009
	(In thousands)	
Shares for Basic Earnings (Loss) Per Share (including participating securities for the three months ended April 4, 2010)	63,332	61,770
Dilutive effect of stock options	542	--
Shares for Diluted Earnings (Loss) Per Share	63,874	61,770

As the Company was in a loss from continuing operations position for the three months ended April 5, 2009, any potential common shares and participating securities would be anti-dilutive and therefore were not included in the calculation of diluted EPS. For the three months ended April 4, 2010, options to purchase 225,000 shares of common stock were not included in the computation of diluted EPS as their impact would be anti-dilutive.

NOTE 4 – SEGMENT INFORMATION

Based on the quantitative thresholds specified by accounting standards, the Company has determined that it has two reportable segments: (1) the Modular Carpet segment, which includes its InterfaceFLOR, Heuga and FLOR modular carpet businesses, as well as its Intersept antimicrobial sales and licensing program, and (2) the Bentley Prince Street segment, which includes its Bentley Prince Street broadloom, modular carpet and area rug businesses. In 2007, the Company sold its former Fabrics Group business segment (see Note 9 for further information). Accordingly, the Company has included the operations of the former Fabrics Group segment in discontinued operations.

The accounting policies of the operating segments are the same as those described in the Summary of Significant Accounting Policies contained in the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2010, as filed with the Commission. Segment amounts disclosed are prior to any elimination entries made in consolidation, except in the case of net sales, where intercompany sales have been eliminated. The chief operating decision maker evaluates performance of the segments based on operating income. Costs excluded from this profit measure primarily consist of allocated corporate expenses, interest/other expense and income taxes. Corporate expenses are primarily comprised of corporate overhead expenses. Thus, operating income includes only the costs that are directly attributable to the operations of the individual segment. Assets not identifiable to any individual segment are corporate assets, which are primarily comprised of cash and cash equivalents, short-term investments, intangible assets and intercompany amounts, which are eliminated in consolidation.

Segment Disclosures

Summary information by segment follows:

	Modular Carpet	Bentley Prince Street	Total
		(In thousands)	
Three Months Ended April 4, 2010			
Net sales	$194,007	$ 23,184	$217,191
Depreciation and amortization	3,665	559	4,224
Operating income (loss)	17,180	(1,411)	15,769
Three Months Ended April 5, 2009			
Net sales	$176,452	$ 22,856	$199,308
Depreciation and amortization	4,581	646	5,227
Operating income (loss)	6,698	(2,986)	3,712

A reconciliation of the Company’s total segment operating income, depreciation and amortization, and assets to the corresponding consolidated amounts follows:

	Three Months Ended	
	April 4, 2010	April 5, 2009
	(In thousands)	
DEPRECIATION AND AMORTIZATION		
Total segment depreciation and amortization	$4,224	$5,227
Corporate depreciation and amortization	1,900	1,021
Reported depreciation and amortization	$6,124	$6,248
OPERATING INCOME		
Total segment operating income	$15,769	$3,712
Corporate expenses and other reconciling amounts	(2,014)	(638)
Reported operating income	$13,755	$3,074

	April 4, 2010	January 3, 2010
ASSETS	(In thousands)	

Total segment assets	$558,408	$561,948
Discontinued operations	1,500	1,500
Corporate assets and eliminations	125,285	163,791
Reported total assets	$685,193	$727,239

NOTE 5 – LONG-TERM DEBT

11 3/8% Senior Secured Notes

On June 5, 2009, the Company completed a private offering of $150 million aggregate principal amount of 11 3/8% Senior Secured Notes due 2013 (the "Senior Secured Notes"). Interest on the Senior Secured Notes is payable semi-annually on May 1 and November 1. The Senior Secured Notes are guaranteed, jointly and severally, on a senior secured basis by certain of the Company's domestic subsidiaries. The Senior Secured Notes are secured by a second-priority lien on substantially all of the Company's and certain of the Company's domestic subsidiaries' assets that secure the Company's domestic revolving credit facility (discussed below) on a first-priority basis.

The Senior Secured Notes were sold at a price of 96.301% of their face value, resulting in $144.5 million of gross proceeds. The $5.5 million original issue discount is being amortized over the life of the notes through interest expense.

The Company may redeem all or a part of the Senior Secured Notes from time to time at a price equal to 100% of the principal amount plus a make-whole premium. Prior to May 1, 2012, the Company may redeem up to 35% of the Senior Secured Notes with cash proceeds from specified equity offerings at a price equal to 111.375% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption. As of April 4, 2010, the balance of the Senior Secured Notes outstanding, net of the remaining unamortized original issue discount, was approximately $145.5 million. The estimated fair value of the Senior Secured Notes as of April 4, 2010, based on then current market prices, was $168.6 million.

10.375% Senior Notes

On February 1, 2010, the Company repaid the remaining balance of $14.6 million of these notes at maturity.

9.5% Senior Subordinated Notes

As of April 4, 2010, the Company had outstanding $110.0 million in 9.5% Senior Subordinated Notes due 2014. The estimated fair value of the 9.5% Senior Subordinated Notes as of April 4, 2010, based on then current market prices, was $112.5 million. During the first quarter of 2010, the Company redeemed $25.0 million aggregate principal amount of these notes at a price equal to 103.167% of the face value of the notes. Accordingly, the premium paid in connection with this redemption was approximately $0.8 million. In addition, the Company wrote off the portion of the unamortized debt issuance costs related to the redeemed bonds, an amount equal to $0.3 million. These expenses are contained in the "Bond Retirement Expenses" line item in our consolidated condensed statements of operations.

Credit Facilities

The Company maintains a domestic revolving credit agreement (the "Facility") that provides a maximum aggregate amount of $100 million of loans and letters of credit available to us at any one time (subject to a borrowing base) with an option for us to increase that maximum aggregate amount to $150 million (upon the satisfaction of certain conditions, and subject to a borrowing base). The Company is presently in compliance with all covenants under the Facility and anticipates that it will remain in compliance with the covenants for the foreseeable future. As of April 4, 2010, there were zero borrowings and $8.1 million in letters of credit outstanding under the Facility. As of April 4, 2010, the Company could have incurred $52.2 million of additional borrowings under the Facility.

Interface Europe B.V. (the Company's modular carpet subsidiary based in the Netherlands) and certain of its subsidiaries maintain a Credit Agreement with ABN AMRO Bank N.V. Under this Credit Agreement, ABN AMRO provides a credit facility, until further notice, for borrowings and bank guarantees in varying aggregate amounts over time. As of April 4, 2010, there were no borrowings outstanding under this facility, and the Company could have incurred €26 million (approximately $35 million) of additional borrowings under the facility.

Other non-U.S. subsidiaries of the Company have an aggregate of the equivalent of $10.8 million of lines of credit available. As of April 4, 2010, there were no borrowings outstanding under these lines of credit.

NOTE 6 – STOCK-BASED COMPENSATION

Stock Option Awards

In accordance with accounting standards, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. That cost will be recognized over the period in which the employee is required to provide the services – the requisite service period (usually the vesting period) – in exchange for the award. The grant date fair value for options and similar instruments will be estimated using option pricing models. Under accounting standards, the Company is required to select a valuation technique or option pricing model that meets the criteria as stated in the standard, which includes a binomial model and the Black-Scholes model. The Company continues to use the Black-Scholes model. Accounting standards require that the Company estimate forfeitures for stock options and reduce compensation expense accordingly. The Company has reduced its stock compensation expense by the assumed forfeiture rate and will evaluate experience against this forfeiture rate going forward.

During the first three months of 2010 and 2009, the Company recognized stock option compensation costs of $0.3 million and $0.3 million, respectively. The remaining unrecognized compensation cost related to unvested awards at April 4, 2010, approximated $0.8 million, and the weighted average period of time over which this cost will be recognized is approximately one year.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants issued in the first three months of fiscal year 2009 (there were no option awards issued in the first quarter of 2010):

	Three Months Ended April 5, 2009	
Risk free interest rate	1.60	%
Expected life	5.5 years	
Expected volatility	61	%
Expected dividend yield	2.6	%

The weighted average grant date fair value of stock options granted during the first three months of fiscal year 2009 was $1.91 per share.

The following table summarizes stock options outstanding as of April 4, 2010, as well as activity during the three months then ended:

	Shares	Weighted Average Exercise Price
Outstanding at January 3, 2010	1,576,000	$5.75
Granted	--	--
Exercised	88,000	4.55
Forfeited or canceled	30,000	7.19

Outstanding at April 4, 2010	1,458,000	$5.79
Exercisable at April 4, 2010	936,000	$6.65

At April 4, 2010, the aggregate intrinsic value of in-the-money options outstanding and options exercisable was $9.2 million and $5.3 million, respectively (the intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option).

Cash proceeds and intrinsic value related to total stock options exercised during the first three months of fiscal years 2010 and 2009 are provided in the following table:

	Three Months Ended	
	April 4, 2010	April 5, 2009
	(In thousands)	
Proceeds from stock options exercised	$296	$--
Intrinsic value of stock options exercised	$479	$--

The Company did not recognize any significant tax benefit with regard to stock options in either period presented.

Restricted Stock Awards

During the three months ended April 5, 2009, the Company granted restricted stock awards for 27,000 shares of Class B common stock. There were no shares of restricted stock issued in the first quarter of 2010. Awards of restricted stock (or a portion thereof) vest with respect to each recipient over a two to five-year period from the date of grant, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, awards (or a portion thereof) could vest earlier upon the attainment of certain performance criteria, in the event of a change in control of the Company, or upon involuntary termination without cause.

Compensation expense related to restricted stock grants was $0.8 million and $0.3 million for the three months ended April 4, 2010, and April 5, 2009, respectively. Accounting standards require that the Company estimate forfeitures for restricted stock and reduce compensation expense accordingly. The Company has reduced its expense by the assumed forfeiture rate and will evaluate experience against this forfeiture rate going forward.

The following table summarizes restricted stock activity as of April 4, 2010, and during the three months then ended:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 3, 2010	1,394,000	$13.04
Granted	--	--
Vested	183,000	7.67
Forfeited or canceled	--	--
Outstanding at April 4, 2010	1,211,000	$13.73

As of April 4, 2010, the unrecognized total compensation cost related to unvested restricted stock was $9.0 million. That cost is expected to be recognized by the end of 2012.

The Company did not recognize any significant tax benefit with regard to restricted stock in either period presented.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The following tables provide the components of net periodic benefit cost for the three-month periods ended April 4, 2010, and April 5, 2009, respectively:

Defined Benefit Retirement Plan (Europe)	Three Months Ended April 4, 2010	Three Months Ended April 5, 2009
	(In thousands)	
Service cost	$ 92	$ 514
Interest cost	2,763	2,478
Expected return on assets	(2,822)	(2,394)
Amortization of prior service costs	23	20
Recognized net actuarial (gains)/losses	416	413
Net periodic benefit cost	$ 472	$ 1,031

Salary Continuation Plan (SCP)	Three Months Ended April 4, 2010	Three Months Ended April 5, 2009
	(In thousands)	
Service cost	$ 86	$ 81
Interest cost	280	271
Amortization of transition obligation	55	55
Amortization of prior service cost	12	12
Amortization of (gain)/loss	68	69
Net periodic benefit cost	$ 501	$ 488

NOTE 8 – RESTRUCTURING CHARGES

2010 Restructuring Charge

In the first quarter of 2010, the Company adopted a restructuring plan primarily related to workforce reduction in its European modular carpet operations. This reduction is in response to the continued challenging economic climate in that region. Smaller amounts were incurred in connection with restructuring activities in the Americas. A total of approximately 50 employees were affected by this restructuring plan. In connection with this plan, the Company recorded a pre-tax restructuring charge of $3.1 million. Substantially all of this charge will involve cash expenditures, primarily severance expenses. It is anticipated that this restructuring plan will generate annual savings of approximately $3.2 million. Actions and expenses related to this plan were substantially completed in the first quarter of 2010.

A summary of these restructuring activities is presented below:

	Total Restructuring	Costs Incurred	Balance at

	Charge	in 2010	April 4, 2010
		(In thousands)	
Workforce reduction	$3,131	$37	$3,094

The table below details these restructuring activities by segment:

	Modular Carpet	Bentley Prince Street	Corporate	Total
		(In thousands)		
Total amounts expected to be incurred	$2,951	$180	$--	$3,131
Cumulative amounts incurred to date	37	--	--	37
Total amounts incurred in the period	37	--	--	37

2009 Restructuring Charge

In the first quarter of 2009, the Company adopted a restructuring plan, primarily comprised of a reduction in the Company's worldwide employee base by a total of approximately 290 employees and continuing actions taken to better align fixed costs with demand for its products on a global level. In connection with this plan, the Company recorded a pre-tax restructuring charge of $5.7 million, comprised of $4.0 million of employee severance expense and $1.7 million of other exit costs (primarily including costs to exit the Canadian manufacturing facilities, lease exit costs and other costs). Approximately $5.2 million of the restructuring charge will involve cash expenditures, primarily severance expense. In the second quarter of 2009, the Company recorded an additional $1.9 million restructuring charge as a continuation of this plan. The charge in the second quarter of 2009 is due to approximately 80 additional employee reductions, and relates entirely to employee severance expense.

A summary of these restructuring activities is presented below:

	Total Restructuring Charge	Costs Incurred in 2009	Costs Incurred in 2010	Balance at April 4, 2010
	(In thousands)			
Facilities consolidation	$ 970	$ 970	$ --	$ --
Workforce reduction	5,873	3,920	777	1,176
Other charges	784	784	--	--
	$ 7,627	$ 5,674	$ 777	$ 1,176

The table below details these restructuring activities by segment:

	Modular Carpet	Bentley Prince Street	Corporate	Total
		(In thousands)		
Total amounts expected to be incurred	$6,865	$762	$--	$7,627
Cumulative amounts incurred to date	5,689	762	--	6,451
Total amounts incurred in the period	777	--	--	777

NOTE 9 – DISCONTINUED OPERATIONS

In 2007, the Company sold its Fabrics Group business segment. All activity related to this business has been included in discontinued operations. Assets and liabilities of this business segment have been reported in assets and liabilities held for sale for all reported periods.

Summary operating results for the above-described discontinued operations are as follows:

	Three Months Ended	
	April 4, 2010	April 5, 2009
	(In thousands)	
Net sales	$--	$--
Loss on operations before taxes on income	--	(1,000)

Tax benefit	--	350
Loss on operations, net of tax	--	(650)

The loss on operations in 2009 reflects charges taken to reduce the carrying value of long-lived assets to their approximate fair market value.

Assets and liabilities, including reserves, related to the