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INTERFACE INC  
Form S-4/A  
May 13, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 13, 2002.

REGISTRATION NO. 333-87096

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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AMENDMENT NO. 1

TO

FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
-----

INTERFACE, INC.  
(Exact Name of Registrant as Specified in Its Charter)

GEORGIA  
(State or Other Jurisdiction of  
Incorporation or Organization)

2822  
(Primary Standard Industrial  
Classification Code Number)

58-1451243  
(I.R.S. Emplo  
Identification N

2859 PACES FERRY ROAD, SUITE 2000, ATLANTA, GEORGIA 30339  
(770) 437-6800  
(Address, Including Zip Code, and Telephone Number, Including Area Code, of  
Registrant's Principal Executive Offices)

RAYMOND S. WILLOCH, ESQUIRE  
SENIOR VICE PRESIDENT -- ADMINISTRATION, GENERAL COUNSEL AND SECRETARY  
INTERFACE, INC.  
2859 PACES FERRY ROAD, SUITE 2000, ATLANTA, GEORGIA 30339  
(770) 437-6800  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

COPIES TO:  
W. RANDY EADDY, ESQUIRE  
KILPATRICK STOCKTON LLP  
1100 PEACHTREE STREET, ATLANTA, GEORGIA 30309-4530  
TELEPHONE: (404) 815-6500

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS POSSIBLE AFTER THIS REGISTRATION STATEMENT IS EFFECTIVE.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering: [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS

(INTERFACE LOGO)

OFFER TO EXCHANGE  
10 3/8% SENIOR NOTES DUE 2010, SERIES B  
FOR  
10 3/8% SENIOR NOTES DUE 2010, SERIES A

TERMS OF EXCHANGE OFFER  
-----

- OFFER  
We are offering to exchange up to \$175 million in principal amount of our  
  
10 3/8% SENIOR NOTES DUE 2010, SERIES B  
  
for the same principal amount of our outstanding  
  
10 3/8% SENIOR NOTES DUE 2010, SERIES A.

We are making this offer to satisfy our obligation in the Registration Rights Agreement, dated January 17, 2002, relating to the original issuance of the original notes.

- PROCEDURES  
To tender, you must submit a signed letter of transmittal and your original notes to Wachovia Bank, National Association, our exchange agent. Special procedures apply in some cases. You must tender original notes in \$1,000 multiples.

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- WITHDRAWAL  
You may withdraw tendered notes until 24 hours before the offer expires.
- EXPIRATION  
This offer expires at 5:00 p.m., Eastern Time on June 17, 2002, unless extended.
- UNACCEPTED TENDERS  
We will return any tendered original notes that we do not accept for exchange for any reason.
- PROCEEDS AND EXPENSES  
We will not receive any proceeds from the issuance of the exchange notes. We have agreed to pay the expenses associated with this exchange offer.

### TERMS OF EXCHANGE NOTES

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THE TERMS OF THE EXCHANGE NOTES AND THE ORIGINAL NOTES ARE IDENTICAL IN ALL MATERIAL RESPECTS, EXCEPT FOR TRANSFER RESTRICTIONS, REGISTRATION RIGHTS AND PENALTY INTEREST PROVISIONS RELATING TO THE ORIGINAL NOTES.

- MATURITY DATE  
The exchange notes will mature on February 1, 2010.
- INTEREST  
The exchange notes will bear interest at the rate of 10 3/8% per year. Interest on the exchange notes is payable semi-annually in cash on February 1 and August 1 of each year, beginning on August 1, 2002.
- OPTIONAL REDEMPTION  
We may redeem up to 35% of the exchange notes at any time prior to February 1, 2005 with the proceeds of one or more public equity offerings at a price of 110 3/8% of the principal amount.
- CHANGE OF CONTROL  
If we undergo a change of control or sell certain of our assets, we may be required to offer to purchase the exchange notes from holders at a price of 101% of the principal amount.
- SUBSIDIARY GUARANTEES  
The exchange notes will be guaranteed on a senior basis by each of our material U.S. subsidiaries on the issue date of the original notes.
- SECURITY AND RANKING  
The exchange notes will be unsecured senior obligations of Interface, Inc. and will rank pari passu to all of our and the guarantors' existing and future senior debt, and will be senior in right of payment to all of our subordinated debt.

INVESTING IN THE EXCHANGE NOTES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE EXCHANGE NOTES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE DATE OF THIS PROSPECTUS IS MAY 14, 2002.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS.

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## FORWARD-LOOKING STATEMENTS

This prospectus contains statements which may constitute "forward-looking statements" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934 (the "Exchange Act"), as amended by the Private Securities Litigation Reform Act of 1995. Words such as "believes", "anticipates", "plans", "expects" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include statements regarding our intent, belief or current expectations, as well as the assumptions on which these statements are based. These statements principally appear in the following sections of the prospectus: "Summary", "Business", and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Any forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by forward-looking statements. Various economic and competitive factors could cause actual results or events to differ materially from those discussed in such forward-looking statements, including our strong competition, the cyclical nature of our industry, our reliance on key personnel, the risks faced by our foreign operations, control over the election of a majority of the members of our Board of Directors, our reliance on petroleum-based raw materials,

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restrictions on our cash flow due to substantial indebtedness, and the other factors discussed in this prospectus, including those set forth under "Risk Factors".

### TRADEMARKS

This prospectus includes trademarks of ours. All brand names or other trademarks appearing in this prospectus are the property of their respective holders.

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### SUMMARY

The following summary contains only basic information about this offering. We encourage you to read this entire document, including our consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 30, 2001 filed with the Securities and Exchange Commission (the "SEC") and incorporated by reference into this prospectus.

In this prospectus, unless otherwise indicated, the words "Interface", "we", "our", and "us" refer to Interface, Inc., the issuer of the notes, and its subsidiaries. The words "exchange notes" refer to our 10 3/8% Senior Notes due 2010, Series B, which we are offering to issue in exchange for our 10 3/8% Senior Notes due 2010, Series A, which we refer to as the "original notes". The words "this offer", "the exchange offering" and "the exchange offer" refer to our offer, described in this prospectus, to issue exchange notes in exchange for original notes.

### THE COMPANY

We are a global manufacturer, marketer, installer and servicer of products for the commercial and institutional interiors market with a strong presence in the following market segments:

- Modular carpet;
- Broadloom carpet;
- Floorcovering services;
- Interior panel fabrics;
- Upholstery fabrics; and
- Raised/Access flooring.

With a market share of approximately 35%, we are the worldwide leader in the modular carpet segment. Our Bentley(R) and Prince Street(R) brands are leaders in the high quality, designer-oriented sector of the broadloom carpet segment. We provide specialized carpet replacement, installation and maintenance services through our Re:Source Americas service network. Our Fabrics Group includes the leading U.S. manufacturer of panel fabrics for use in open plan office furniture systems, with a market share in excess of 50%, and the leading U.S. manufacturer of contract upholstery sold to office furniture manufacturers and contract jobbers, with a U.S. contract upholstery market share of approximately 35%. Our specialty products operations produce raised/access flooring systems (for which we are the second largest U.S. manufacturer), antimicrobial additives, adhesives and other specialty chemical compounds and products. These complementary product offerings, together with an integrated marketing philosophy, enable Interface to take a "total interior solutions"

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approach to serving the diverse needs of our customers around the world.

We market products in over 100 countries around the world under such established brand names as Interface(R), Heuga(R), Bentley and Prince Street in modular carpet; Bentley and Prince Street in broadloom carpet; Guilford of Maine(R), Stevens Linen(TM), Toltec(R), Intek(R), Chatham(R), Camborne(TM) and Glenside(TM) in interior fabrics and upholstery products; Intersept(R) in antimicrobials; and C-Tec(R), Atlantic(TM) and Intercell(R) in raised/access flooring systems. We utilize an internal marketing and sales force of over 1,000 experienced personnel stationed at over 75 locations in over 30 countries, to market our products and services in person to our customers. This sales force is one of the largest sales forces in the global commercial floorcovering industry. Our principal geographic markets are the Americas (69% of 2001 net sales), Europe (27% of 2001 net sales) and Asia-Pacific (4% of 2001 net sales).

For 2001, we had net sales and net loss (including a nonrecurring pre-tax restructuring charge of approximately \$65.1 million) of \$1.104 billion and \$36.3 million, respectively. Net sales consisted of sales of floorcovering products and related services (\$833.8 million), interior fabrics sales (\$209.9 million) and

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raised/access flooring and other specialty product sales (\$60.2 million), accounting for 75.5%, 19.0% and 5.5% of total net sales, respectively.

### SUMMARY OF OUR STRENGTHS

Our dominant market positions reflect our principal strengths, each of which is discussed more fully under "Business -- Our Strengths", starting on page 31 below. These include:

**Preeminent Brand Names with Reputation for Quality and Reliability.** Our products are known in the industry for their high quality and reliability. Our preeminent brand names in carpets, interior fabrics and raised/access flooring systems are leaders in the industry.

**Strong Free Cash Flow Generation.** We have structured our principal businesses to yield high contribution margins. As a result of our historical investments in global manufacturing capabilities and mass customization techniques and facilities, and our sustained initiatives to reduce costs and enhance operating efficiencies throughout our supply and production chain, we are positioned to derive substantially increased cash flows from operations. We have the current capacity, without significant capital expenditures, to increase production levels to handle higher demand for our products, which may result from either or both of (i) improved economic conditions and (ii) the expansion of our business in non-corporate segments that is being driven by the increasing acceptance of modular products.

**Innovative Product Design and Development Capabilities.** Our product design and development capabilities give us a significant competitive advantage. We have an exclusive consulting contract with the leading design firm David Oakey Designs, Inc. This relationship augments our internal research, development and design staff. Since engaging Oakey Designs in 1994, we have introduced more than 135 new carpet designs in the U.S. and have enjoyed considerable success in winning U.S. carpet industry design awards bestowed by the International Interior Design Association (IIDA), particularly in the carpet tile division. We also have a consulting contract with the design firm Suzanne Tick, Inc., which is affiliated with award-winning carpet manufacturer Tuva Looms, Inc., to steward and design our Prince Street brand broadloom carpets.

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Low-Cost Global Manufacturing Operations. Our global manufacturing capabilities are an important competitive advantage in serving the needs of multinational corporate customers that require products and services at various locations around the world. Global manufacturing locations enable us to compete effectively with local producers in our international markets, while also giving international customers more favorable delivery times and freight costs.

Experienced and Motivated Management and Sales Force. An important component of our competitive position is the continued strengthening of our management team and its commitment to developing and maintaining an enthusiastic and accountable work force. We have a team of skilled and dedicated executives to guide our continued growth, diversification, and management of our financial position. Our executives and sales and marketing forces are also highly motivated by incentive programs designed to promote performance in strategic areas.

### BUSINESS STRATEGY AND PRINCIPAL INITIATIVES

Our corporate strategy is to continue the diversification and integration of our business, on a sustainable basis, worldwide. We have achieved diversification by both developing products internally and acquiring complementary product lines and businesses in the commercial and institutional interiors field. As usages and demand for modular carpet continue to increase in all areas of the commercial market, we seek to leverage our dominant position in the modular carpet segment to increase diversification. We are continuing to integrate our business by identifying and developing additional synergies and operating efficiencies among our products and global businesses. In implementing this strategy, we are pursuing the following principal strategic initiatives:

Expand Markets for Modular Products. Our management believes that modular carpet continues to take share away from other floorcovering products across most markets. In response to such increased

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acceptance of and demand for modular products, we are leveraging our position as the worldwide leader in the modular carpet market, with a share of approximately 35%, to drive sales in all market sectors. The growing use of open plan interiors and modern office arrangements has encouraged the use of carpet tile generally. Our established global brands for modular carpet are leaders with respect to design, quality, value and performance. We have also produced a specially adapted version of our carpet tile for healthcare facilities, and we will seek to use our mass customization capabilities to develop and produce efficiently other innovative modular products to address specialized customer needs in other non-corporate segments.

Increase Sales in Less Cyclical Market Segments. In both our floorcoverings and fabrics businesses, we are focusing more of our marketing and sales efforts on non-corporate segments in order to capture attractive market share opportunities and also to reduce our future exposure to certain economic cycles that affect the corporate segment more adversely. These other segments include retail space, government institutions, schools, healthcare facilities, tenant improvement space, hospitality centers and home office space. In order to implement this strategy, we have:

- introduced specialized product offerings tailored to the unique demands of these segments, including specific designs, functionalities and price points;
- created a sales force dedicated to penetrating these segments at a high level; and

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- realigned incentives for our corporate segment sales force generally in order to encourage their efforts to penetrate these other segments, including paying higher commissions for sales in these segments relative to the corporate segment.

De-leverage Our Balance Sheet. One of our objectives is to use the strong free cash flow generation capability of our business to repay our existing debt more rapidly and strengthen our financial position. Certain of our ongoing initiatives, which have already reduced our operating costs structure, are expected to yield future annual cost savings of approximately \$25 million. Our existing capacity to increase production levels without significant capital expenditures will facilitate our generation of additional free cash flow when demand for our products rises as a result of improved economic conditions generally or expansions of our business from other strategic initiatives we have implemented. We will continue our existing initiatives, and we expect to implement new ones such as our supply chain enhancement program, to reduce costs further and enhance free cash flow generation.

Maximize Global Marketing and Manufacturing Capabilities. We will continue to use the complementary nature of our product lines to offer "total interior solutions" to our customers worldwide to meet their diverse needs for products and services. We combine our global marketing and manufacturing capabilities to target multinational companies successfully and compete effectively in local markets worldwide. We have a 12-person global accounts team with responsibility for our largest multinational customers and prospects, and we have established a web-based communications network to serve those multinational customers better.

Advance Ecological Sustainability Programs. In 1995, we began a worldwide war-on-waste initiative referred to internally as "QUEST". The war on waste is part of our broader EcoSense initiative, which is our long-range program to achieve greater resource efficiency and, ultimately, ecological "sustainability" -- that is, the point at which Interface is no longer a net "taker" from the earth -- with the goal of becoming the first "restorative" company. One example of a product developed under this initiative is the line of fabrics manufactured from recycled, recyclable or compostable materials under the Terratex(R) brand. We believe that our pursuit of our goals under this initiative provides a competitive advantage in marketing our products to an increasing number of customers.

Interface was incorporated in 1973 as a Georgia corporation. Our principal executive offices are located at 2859 Paces Ferry Road, Suite 2000, Atlanta, Georgia 30339, and our telephone number is (770) 437-6800.

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### THE EXCHANGE OFFER

The Exchange Offer.....	We are offering to exchange up to \$175,000,000 in principal amount of our 10 3/8% Senior Notes due 2010, Series B, for up to \$175,000,000 in principal amount of our outstanding 10 3/8% Senior Notes due 2010, Series A.
The Exchange Notes.....	The notes we will issue in this exchange offer are identical in all material respects to the original notes, except for transfer restrictions, registration rights and penalty interest provisions relating to the original notes. We will issue the exchange notes without legends restricting their transfer. See "Description of the Notes", beginning on page

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Expiration Date; Withdrawal of  
Tender.....

The exchange offer will expire at 12:00  
Midnight, Eastern Time, on June 17, 2002,  
unless we extend the offer. Until 24 hours  
before the offer expires, you may withdraw any  
original notes that you previously tendered. If  
we do not accept your original notes for  
exchange for any reason, we will return them to  
you at our cost, as soon as possible after the  
exchange offer. The exchange offer is subject  
to customary conditions, which we may waive.

Conditions to the Exchange  
Offer

See "The Exchange Offer -- Conditions to the  
Exchange Offer", beginning on page 16.

Procedures for Tendering  
Original Notes.....

If you hold original notes and wish to accept  
the exchange offer, you must:

- complete, sign and date the letter of  
transmittal that is included with this  
prospectus, and
- mail or deliver the letter of transmittal to  
Wachovia Bank, National Association, our  
exchange agent.

Be sure to include the original notes you wish  
to exchange, deliver the original notes by book  
entry transfer, or make guaranteed delivery.  
You must tender original notes for exchange in  
\$1,000 multiples.

By executing the letter of transmittal, you  
will represent to us that, among other things,

- (1) you will acquire the exchange notes in the  
ordinary course of your business,
- (2) you are not engaging in or intending to  
engage in a distribution of the exchange notes,
- (3) you have no arrangement with any person to  
participate in the distribution of the exchange  
notes, and
- (4) (A) you are not our "affiliate", as defined  
in Rule 405 of the Securities Act of  
1933, as amended (the "Securities  
Act"), or,  
  
(B) if you are our affiliate, you will  
comply with the registration and  
prospectus delivery requirements of  
the Securities Act.

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Special Procedures for  
Beneficial Owners..... This paragraph applies to the beneficial owners of original notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee. If you are a beneficial owner and wish to tender your original notes in the exchange offer, please contact the registered holder and instruct it to tender on your behalf. If you wish to tender on your own behalf, you must either re-register the original notes in your name or obtain a properly completed bond power from the registered holder. You may not be able to re-register your original notes in time to participate in the exchange offer.

Guaranteed Delivery  
Procedures..... If you wish to tender your original notes, but they are not immediately available, or you cannot deliver your original notes, the letter of transmittal, or any other required documents to Wachovia Bank, National Association before the offer expires, you must tender your original notes using the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures", beginning on page 19.

Registration Requirements..... We will use our best efforts to complete the registered exchange offer to allow you an opportunity to exchange your original notes for the exchange notes. In the event that applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer or in certain other circumstances, we have agreed to file a shelf registration statement covering resales of the original notes. In such event, we will use our best efforts to cause the shelf registration statement to be declared effective under the Securities Act and, subject to certain exceptions, to keep the shelf registration statement effective until the third anniversary of the date we initially issued the original notes, unless all the notes are sold under the shelf registration statement in a shorter timeframe.

U.S. Federal Income Tax  
Considerations..... We discuss the material federal income tax considerations relating to the exchange notes in "U.S. Federal Income Tax Consequences", beginning on page 98.

Use of Proceeds..... We will not receive any proceeds from the exchange of notes in this exchange offer.

Exchange Agent..... Wachovia Bank, National Association is our exchange agent. Its address and telephone number are listed in "The Exchange

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Offer -- Exchange Agent", on page 20.

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### SUMMARY DESCRIPTION OF THE EXCHANGE NOTES

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the exchange notes, see "Description of the Notes".

Issuer.....	Interface, Inc.
Notes Offered.....	\$175,000,000 aggregate principal amount of 10 3/8% Senior Notes due 2010, Series B.
Maturity Date.....	February 1, 2010.
Interest Payment Dates.....	February 1 and August 1, commencing August 1, 2002.
Subsidiary Guarantees.....	Each of our material U.S. subsidiaries on the issue date of the original notes will guarantee the exchange notes.
Security and Ranking.....	The exchange notes and the guarantees will be senior unsecured obligations of Interface and the guarantors. The exchange notes will rank pari passu with any existing and future senior indebtedness of Interface and the guarantors and will be senior in right of payment to any subordinated indebtedness of Interface and the guarantors.
Optional Redemption.....	At any time prior to February 1, 2005, we may redeem up to 35% of the aggregate principal amount of the exchange notes with the proceeds of one or more public equity offerings at a redemption price in cash equal to 110 3/8% of the principal amount thereof, plus accrued interest at the redemption date. In addition, we may redeem the exchange notes at any time subject to a specified make-whole premium.
Change of Control.....	Upon a change of control, we must offer to repurchase the exchange notes at 101% of the principal amount plus accrued interest at the purchase date.
Certain Covenants.....	The indenture governing the exchange notes will contain certain covenants, including limitations and restrictions on our ability to:  - incur additional indebtedness;  - make dividend payments or other restricted payments;  - create liens;  - make asset sales;

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- sell securities of our subsidiaries;
- enter into transactions with shareholders and affiliates; and
- enter into mergers, consolidations, or sales of all or substantially all of our assets.

These covenants are subject to important exceptions and qualifications, which are described in "Description of the Notes -- Certain Covenants".

Risk Factors..... Holders of original notes should carefully consider the matters set forth under the caption "Risk Factors" prior to making an investment decision with respect to the exchange notes.

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SUMMARY CONSOLIDATED FINANCIAL DATA

We derived the summary consolidated financial data presented below from our audited Consolidated Financial Statements and the notes thereto for the years indicated. You should read the summary financial data presented below together with those audited Consolidated Financial Statements and the notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 30, 2001, which is filed with the Securities and Exchange Commission, and is incorporated herein by reference.

	AS OF AND FOR THE YEAR ENDED				
	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 2001
	(DOLLARS IN THOUSANDS)				
STATEMENT OF INCOME DATA:					
Net sales.....	\$1,135,290	\$1,281,129	\$1,228,239	\$1,283,948	\$1,103,000
Gross profit on sales.....	379,556	433,469	382,115	388,004	316,000
Selling, general and administrative expenses.....	281,755	318,495	304,553	297,948	266,000
Restructuring charges.....	--	25,283	1,131	21,047	65,000
Operating income (loss).....	97,801	89,691	76,431	69,009	(16,000)
Interest expense(1).....	35,038	36,705	39,372	38,500	37,000
Net income (loss) applicable to common shareholders.....	37,514	29,823	23,545	17,321	(36,000)
OTHER DATA:					
EBITDA(2).....	\$ 136,406	\$ 157,560	\$ 123,351	\$ 140,681	\$ 31,000
Depreciation and amortization.....	38,605	42,586	45,789	50,625	47,000
Capital expenditures.....	38,654	45,227	37,278	30,495	30,000
Ratio of EBITDA to interest expense(1).....	3.89x	4.29x	3.13x	3.65x	0.00x
Ratio of earnings to fixed charges(1)(3).....	3.38x	3.76x	2.84x	3.19x	2.00x

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	AS OF				
	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 2001
	(DOLLARS IN THOUSANDS)				
BALANCE SHEET DATA:					
Working capital.....	\$ 183,403	\$ 213,412	\$ 217,026	\$ 240,959	\$ 210,
Total assets.....	929,563	1,036,864	1,028,495	1,034,849	954,
Total long-term debt(4).....	392,250	390,437	402,118	422,358	454,
Total common shareholders' equity.....	316,365	398,824	389,192	372,435	302,
Total capitalization.....	711,604	791,056	793,322	799,957	761,

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- (1) Interest expense includes the amount of fees paid under the receivables securitization program, which may be less than the amount of interest that would have been paid if the amount of receivables sold under such program had alternatively been borrowed.
  - (2) EBITDA represents income before income taxes plus net interest expense, depreciation, amortization, non-recurring charges and extraordinary items. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to our ability to meet our future debt service, capital expenditures and working capital requirements. In addition, we believe that certain investors find EBITDA to be a useful tool for measuring our ability to service our debt. EBITDA is not necessarily a measure of our ability to fund cash needs.
  - (3) The ratio of earnings to fixed charges is determined by dividing the sum of earnings before non-recurring charges, extraordinary items, interest expense, taxes on income, depreciation, amortization and a portion of rent expense representative of the interest component, by the sum of interest expense and the portion of rent expense representative of the interest component.
  - (4) Total long-term debt does not include receivables sold under our receivables securitization program. As of December 30, 2001, December 31, 2000, January 2, 2000, January 3, 1999 and December 28, 1997, we had sold receivables of \$34.0 million, \$54.0 million, \$40.0 million, \$45.6 million, and \$49.6 million, respectively.

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## RISK FACTORS

You should carefully consider the following factors, in addition to the other information included in this prospectus, before making an investment with respect to the exchange notes. Any or all of the following risk factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

### GENERAL BUSINESS RISKS

WE COMPETE WITH A LARGE NUMBER OF MANUFACTURERS IN THE HIGHLY COMPETITIVE

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COMMERCIAL FLOORCOVERING PRODUCTS MARKET, AND SOME OF THESE COMPETITORS HAVE GREATER FINANCIAL RESOURCES THAN WE DO.

The commercial floorcovering industry is highly competitive. Globally, we compete for sales of floorcovering products with other carpet manufacturers and manufacturers of vinyl and other types of floorcovering. Although the industry has experienced significant consolidation, a large number of manufacturers remain in the industry. We believe that we are the largest manufacturer of modular carpet in the world. However, a number of domestic and foreign competitors manufacture modular carpet as one segment of their business, and some of these competitors have greater financial resources than we do.

SALES OF OUR PRINCIPAL PRODUCTS MAY BE AFFECTED BY CYCLES IN THE CONSTRUCTION AND RENOVATION OF COMMERCIAL AND INSTITUTIONAL BUILDINGS.

Sales of our principal products are related to the construction and renovation of commercial and institutional buildings. This activity is cyclical and can be affected by the strength of a country's or region's general economy, prevailing interest rates and other factors that lead to cost control measures by businesses and other users of commercial or institutional space. The effects of cyclicity upon the commercial office sector tend to be more pronounced than the effects upon the institutional sector. Historically, we have generated more sales in the commercial office sector than in other markets. The effects of cyclicity upon the new construction sector of the market also tend to be more pronounced than the effects upon the renovation sector. Although the predominant portion of our sales are generated from the renovation sector, any adverse cycle, in either sector of the market, would lessen the overall demand for commercial interiors products, which could impair our growth.

OUR CONTINUED SUCCESS DEPENDS SIGNIFICANTLY UPON THE EFFORTS, ABILITIES AND CONTINUED SERVICE OF OUR SENIOR MANAGEMENT EXECUTIVES AND OUR DESIGN CONSULTANTS.

We believe that our continued success will depend to a significant extent upon the efforts and abilities of our senior management executives. In addition, we rely significantly on the leadership that David Oakey of David Oakey Designs, Inc. provides to our internal design staff. Specifically, Oakey Designs provides product design/production engineering services to us under an exclusive consulting contract that contains non-competition covenants. We recently renewed our agreement with Oakey Designs for a five-year term through May 2006. The loss of any key personnel or key design consultants could have an adverse impact on our business.

OUR SUBSTANTIAL INTERNATIONAL OPERATIONS ARE SUBJECT TO VARIOUS POLITICAL, ECONOMIC AND OTHER UNCERTAINTIES.

We have substantial international operations. In fiscal 2001, approximately 32% of our net sales and a significant portion of our production were outside the United States, primarily in Europe but also in Asia-Pacific. Our corporate strategy includes the expansion of our international business on a worldwide basis. As a result, our operations are subject to various political, economic and other uncertainties, including risks of restrictive taxation policies, changing political conditions and governmental regulations. We also make a substantial portion of our net sales in currencies other than U.S. dollars, which subjects us to the risks inherent in currency translations. Our ability to manufacture and ship products from facilities in several foreign countries reduces the risks of foreign currency fluctuations we might otherwise experience, and we also engage from time to time in hedging programs intended to reduce those risks

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further. Despite these precautions, the scope and volume of our global operations make it impossible to eliminate completely all foreign currency translation risks as an influence on our financial results.

OUR CHAIRMAN, TOGETHER WITH OTHER INSIDERS, CURRENTLY HAS SUFFICIENT VOTING POWER TO ELECT A MAJORITY OF OUR BOARD OF DIRECTORS.

Our Chairman, Ray C. Anderson, beneficially owns approximately 50% of the Company's outstanding Class B Common Stock. The holders of the Class B Common Stock are entitled, as a class, to elect a majority of our Board of Directors. Therefore, Mr. Anderson, together with other insiders, has sufficient voting power to elect a majority of the Board of Directors. On all other matters submitted to the shareholders for a vote, the holders of the Class B Common Stock generally vote together as a single class with the holders of the Class A Common Stock. Mr. Anderson's beneficial ownership of the outstanding Class A and Class B Common Stock combined is less than 10%.

LARGE INCREASES IN THE COST OF PETROLEUM-BASED RAW MATERIALS, WHICH WE ARE UNABLE TO PASS THROUGH TO OUR CUSTOMERS, COULD ADVERSELY AFFECT US.

Petroleum-based products comprise the predominant portion of the cost of raw materials that we use in manufacturing. While we attempt to match cost increases with corresponding price increases, large increases in the cost of petroleum-based raw materials could adversely affect our financial results if we are unable to pass through price increases in raw material costs to our customers.

UNANTICIPATED TERMINATION OR INTERRUPTION OF OUR ARRANGEMENT WITH OUR PRIMARY THIRD-PARTY SUPPLIER OF SYNTHETIC FIBER COULD HAVE A MATERIAL ADVERSE EFFECT ON US.

E.I. DuPont de Nemours and Company currently supplies a significant percentage of our requirements for synthetic fiber (nylon), which is the principal raw material that we use in our carpet products. While we believe that there are adequate alternative sources of supply from which we could fulfill our synthetic fiber requirements, the unanticipated termination or interruption of our supply arrangement with DuPont could have a material adverse effect on us because of the cost and delay associated with shifting more business to another supplier.

### RISKS SPECIFIC TO THE EXCHANGE NOTES

In addition to the factors above relating generally to risks associated with our business and therefore any investment in us, you should also consider the following factors that represent special risks associated with an investment in the exchange notes.

AS A RESULT OF OUR HOLDING COMPANY STRUCTURE, THE EXCHANGE NOTES WILL EFFECTIVELY BE SUBORDINATED TO INDEBTEDNESS OF OUR NON-GUARANTOR SUBSIDIARIES.

Our operations are conducted through our subsidiaries and, therefore, the exchange notes will be effectively subordinated to all indebtedness and other liabilities and commitments of our subsidiaries, other than subsidiaries which are guarantors of the exchange notes. We substantially depend on the earnings and cash flow of our subsidiaries and must rely upon distributions from our subsidiaries to meet our debt obligations, including our obligations with respect to the exchange notes. Any right of the holders of the exchange notes to participate in the assets of a non-guarantor subsidiary of Interface upon any liquidation or reorganization of the subsidiary will be subject to the prior claims of the subsidiary's creditors, including the lenders under our credit facility and trade creditors. In addition, substantially all of our assets and

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the assets of our material domestic subsidiaries as well as 100% of the capital stock of our principal domestic subsidiaries and up to 65% of the capital stock of our principal first-tier foreign subsidiaries are pledged as collateral to the lenders under our credit facility. Accordingly, upon any liquidation or reorganization of Interface, the holders of the exchange notes will have no claim against these assets or capital stock until the lenders under our credit facility are paid in full.

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YOUR RIGHT TO BE REPAID WOULD BE ADVERSELY AFFECTED IF A COURT DETERMINED THAT ANY OF OUR SUBSIDIARIES MADE ANY GUARANTEE FOR INADEQUATE CONSIDERATION OR WITH THE INTENT TO DEFRAUD CREDITORS.

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, any guarantee made by any of our subsidiaries could be voided, or claims under the guarantee made by any of our subsidiaries could be subordinated to all other obligations of the obligor, if the obligor, at the time it incurred the obligations under any guarantee:

- incurred the obligations with the intent to hinder, delay or defraud creditors; or
- received less than reasonably equivalent value in exchange for incurring those obligations; and
  1. was insolvent or rendered insolvent by reason of that incurrence;
  2. was engaged in a business or transaction for which the obligor's remaining assets constituted unreasonably small capital; or
  3. intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

A legal challenge to the obligations under any guarantee on fraudulent conveyance grounds could focus on any benefits received in exchange for the incurrence of those obligations. We believe that any of our subsidiaries making a guarantee received reasonably equivalent value for incurring the guarantees, but a court may disagree with our conclusion or elect to apply a different standard in making its determination.

The measures of insolvency for purposes of the fraudulent transfer laws vary depending on the law applied in the proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

Based on historical financial information, recent operating history and other factors, we believe that after giving effect to any guarantee, our subsidiaries are not insolvent, do not have unreasonably small capital for the business in which they are engaged and have not incurred debts beyond their ability to pay those debts as they mature. Because the question of whether a

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transaction is a fraudulent conveyance is fact-based and fact-specific, a court may not agree with us. Neither our counsel nor counsel for the issuers has expressed any opinion as to federal or state laws relating to fraudulent transfers.

OUR INDEBTEDNESS, WHICH IS SUBSTANTIAL IN RELATION TO OUR SHAREHOLDERS' EQUITY, REQUIRES US TO DEDICATE A SUBSTANTIAL PORTION OF OUR CASH FLOW FROM OPERATIONS TO SERVICE DEBT AND GOVERNS CERTAIN OTHER OF OUR ACTIVITIES.

Our indebtedness is substantial in relation to our shareholders' equity. As of December 30, 2001, our long-term debt (net of current portion) totaled \$453.3 million or approximately 59.5% of our total capitalization. As a consequence of our level of indebtedness, a substantial portion of our cash flow from operations must be dedicated to debt service requirements. The terms of our revolving credit facility govern our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness, pay dividends or make certain other restricted payments or investments in certain situations, consummate certain asset sales, enter into certain transactions with affiliates, create liens, or merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. They also require us to meet certain financial tests and comply with certain other reporting, affirmative and negative covenants. If we fail to satisfy these tests or comply with these covenants, a

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default may occur, in which case the lenders could accelerate the debt as well as any other debt to which cross-acceleration or cross-default provisions apply. We cannot assure you that we would be able to renegotiate, refinance or otherwise obtain the necessary funds to satisfy these obligations.

WE MAY NOT BE ABLE TO REPURCHASE EXCHANGE NOTES UPON A CHANGE OF CONTROL WHICH WOULD BE AN EVENT OF DEFAULT UNDER THE INDENTURE.

Upon the occurrence of certain specific kinds of change of control events, we will be required to offer to repurchase all outstanding exchange notes. Our credit facility restricts us from repurchasing the exchange notes without the approval of our lenders. In addition, it is possible that, even if such approval were obtained, we would not have sufficient funds at the time of the change of control to make the required repurchase of exchange notes. Corporate events that would constitute a change of control under other of our senior indebtedness might not constitute a change of control under these exchange notes. Such an occurrence would nonetheless constitute an event of default under our credit facility, entitling the lenders to, among other things, cause all our outstanding debt obligations thereunder to become due and payable, and to proceed against their collateral.

YOU MAY NOT BE ABLE TO SELL THE NOTES YOU HOLD IF YOU DO NOT EXCHANGE THEM IN THIS OFFER.

If you hold original notes and do not exchange them in this offer, you will remain subject to the transfer restrictions applicable to the original notes and reflected in their legend. We issued the original notes under exemptions from the registration requirements of the Securities Act and applicable state securities laws. In general, holders of the original notes may not offer or sell them unless they are exempt from registration or registered under the Securities Act and applicable state securities laws. We have agreed, in certain circumstances, to file a shelf registration statement covering resales of the original notes. Except in those circumstances, we do not intend to register the original notes under the Securities Act. After consummation of this exchange offer, we will have no further obligation to do so.

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If you tender original notes in this exchange offer for the purpose of participating in a distribution of the exchange notes, you may be deemed to have received restricted securities. If so, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Additionally, as a result of the exchange offer, it is expected that the aggregate principal amount of the original notes will decrease substantially. As a result, it is unlikely that a liquid trading market will exist for the original notes at any time. This lack of liquidity will make transactions more difficult and may reduce the trading price of the original notes. See "The Exchange Offer" and "Description of the Notes -- Exchange Offer; Registration Rights Agreement; Penalty Interest".

YOU MAY BE UNABLE TO SELL YOUR EXCHANGE NOTES IF A TRADING MARKET FOR THE EXCHANGE NOTES DOES NOT DEVELOP.

There is no existing market for the exchange notes. We cannot assure you that any market that may develop for the exchange notes will be liquid or that you will be able to sell your exchange notes. In addition, we cannot offer assurances as to the price at which you would be able to sell the notes. Future trading prices of the exchange notes will depend on many factors, including, for example:

- prevailing interest rates,
- our operating results, and
- the market for similar securities.

We do not intend to list the exchange notes on any securities exchange or the Nasdaq Stock Market. The initial purchasers have informed us that they currently intend to make a market in these notes after this exchange offer is completed. However, the initial purchasers may discontinue their market-making activities at any time without notice. The Securities Act and the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), will limit this market-making activity. The original notes are eligible for trading in the Private Offerings, Resale and Trading through Automated Linkages (PORTAL) market.

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Although we intend to have them designated for trading in the PORTAL market, the exchange notes offered by this prospectus will constitute a new issue of securities with no established trading market. In addition, the liquidity of the trading market in the exchange notes, and the market price quoted for the exchange notes, may be adversely affected by changes in the overall market for high yield securities and by changes in our financial performance or in prospects for companies in our industry generally. If a trading market does not develop, you may experience difficulty in reselling these exchange notes or may be unable to sell them.

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### USE OF PROCEEDS

This exchange offer is intended to satisfy obligations that we have under the registration rights agreement we entered into with the Initial Purchasers of the original notes. We will not receive any proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes, we will receive original notes in like principal amount. The form and terms of the exchange notes are identical in all material respects to the form and terms of the

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original notes, except as described in "The Exchange Offer -- Terms of the Exchange Offer". The original notes surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. Therefore, issuance of the exchange notes will not result in any increase in our outstanding debt.

### CAPITALIZATION

The following table sets forth our actual capitalization as of December 30, 2001 and as adjusted for the offering of the original notes and the application of the net proceeds of the offering to repay the indebtedness specifically identified in this prospectus. You should read this table in conjunction with the information contained in our Consolidated Financial Statements that are included elsewhere in this prospectus.

	AS OF DECEMBER 30, 2001	
	ACTUAL	AS ADJUSTED (1)
	(DOLLARS IN THOUSANDS)	
Long-term debt (including current maturities):		
Senior credit facility(2).....	\$173,381	\$ 2,881
7.300% Senior Notes due 2008.....	150,000	150,000
10.375% Senior Notes due 2010.....	--	175,000
9.500% Senior Subordinated Notes due 2005.....	125,000	125,000
Other long-term debt.....	6,613	6,613
	-----	-----
Total long-term debt (3).....	454,994	459,494
Minority interest.....	4,440	4,440
Total common shareholders' equity.....	302,475	302,475
	-----	-----
Total capitalization.....	\$761,909	\$766,409

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- (1) As adjusted for the offering and the application of the net proceeds of the offering.
  - (2) As of December 30, 2001, our borrowing capacity under the senior credit facility was \$250.0 million and we had approximately \$173.4 million outstanding under the facility. After the offering was completed, our amended and restated senior credit facility provided \$100.0 million of borrowing capacity. Adjusting for the pro forma effect of the offering and the application of the net proceeds from the offering, at December 30, 2001 our borrowing capacity would have been approximately \$97.1 million under the facility.
  - (3) Total long-term debt and total capitalization do not include receivables sold under our receivables securitization program. As of December 30, 2001, we had sold receivables of \$34.0 million.

### THE EXCHANGE OFFER

#### PURPOSE AND EFFECT OF THE EXCHANGE OFFER

On January 17, 2002, we sold the original notes to Salomon Smith Barney, Wachovia Securities, SunTrust Robinson Humphrey, and Fleet Securities, Inc., as the Initial Purchasers. The Initial Purchasers sold the original notes to

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institutional investors in reliance on Rule 144A and Regulation S promulgated by the SEC under the Securities Act. When we sold the original notes, we and our subsidiary guarantors signed a registration rights agreement for the benefit of holders of original notes. Under that agreement, we agreed to file a registration statement covering an offer to exchange the original notes for senior debt securities with substantially identical terms, primarily in order to eliminate the securities law transfer restrictions that are applicable to holders of the original notes. We agreed to make that filing within 120 days after we issued the original notes, and to use our best efforts to cause the registration statement to become effective within 150 days after the issue date.

We also agreed that if applicable law or SEC staff interpretations do not permit us to effect the exchange offer, if the exchange offer is not consummated within 180 days after the date we issued the original notes, or if any holder notifies us that it:

- (1) is prohibited by applicable law or SEC policy from participating in the exchange offer,
- (2) may not resell exchange notes to the public without delivering a prospectus and this prospectus is not appropriate or not available for such resales by such holder, or
- (3) is a broker-dealer and holds original notes acquired directly from us or an affiliate of us

then, we and our subsidiary guarantors would, as promptly as practicable, file a shelf registration statement covering resales of the original notes, and use our best efforts to cause the shelf registration statement to be declared effective, and to remain current and effective until the earlier of January 17, 2005 or when all the notes are sold under the shelf registration statement. If we are required to do so, we will provide to each holder copies of the prospectus, notify each such holder when the shelf registration statement is effective, and take other actions as are required to permit unrestricted resales of the original notes.

The interest rate on the original notes may increase if we do not comply with our obligations under the registration rights agreement.

### RESALE OF EXCHANGE NOTES

We believe that holders of exchange notes issued in the exchange offer may generally offer them for resale and may resell or otherwise transfer them without compliance with the registration and prospectus delivery provisions of the Securities Act. Our belief is based on existing SEC staff interpretations and is subject to the exceptions and qualifications described in "Plan of Distribution".

Notwithstanding those beliefs, however, each holder of original notes who wishes to exchange them in the exchange offer will be required to make representations to us. These include representations that the holder:

- will acquire the exchange notes in the ordinary course of its business,
- is not engaging in or intending to engage in a distribution of the exchange notes,
- has no arrangement or understanding with any person to participate in the distribution of the exchange notes, and is not our "affiliate", as defined in Rule 405 of the Securities Act, or, if the holder is our affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act.

TERMS OF THE EXCHANGE OFFER

We will accept for exchange all original notes properly tendered prior to 12:00 Midnight, Eastern Time, on the date this offer expires and not withdrawn as described under the heading "Withdrawal of Tenders" below. The initial expiration date will be June 17, 2002. We may extend the exchange offer in our discretion. We will only accept original notes that are tendered in compliance with this prospectus and the terms of the letter of transmittal. You must tender original notes only in \$1,000 multiples.

We will issue \$1,000 in principal amount of exchange notes in exchange for each \$1,000 in principal amount of original notes tendered and accepted for exchange.

The form and terms of the exchange notes will be substantially the same as those of the original notes, except that the exchange notes will be registered under the Securities Act. Accordingly, the exchange notes will not bear legends restricting their transfer. The terms of the exchange notes will also not include registration rights and penalty interest provisions applicable to the original notes. The exchange notes will evidence the same debt as the original notes. We will issue the exchange notes under the same indenture as the original notes. The indenture treats the exchange notes and the original notes as a single class of debt securities. The exchange notes and the original notes will be entitled to the same benefits under the indenture.

We are not conditioning this exchange offer upon any minimum aggregate principal amount of original notes being tendered for exchange. Holders of original notes will not have any appraisal or dissenters' rights in connection with the exchange offer.

As of the date of this prospectus, we have issued \$175,000,000 in principal amount of the original notes, all of which remain outstanding. We are sending this prospectus, together with the letter of transmittal, to all registered holders of original notes. We will not fix a record date for determining registered holders of original notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the registration rights agreement, the applicable requirements of the Exchange Act and the rules and regulations of the SEC. Any original notes not exchanged in the exchange offer will remain valid and continue to accrue interest. Holders of such notes will remain entitled to the rights and benefits of the indenture and the registration rights agreement.

We will be deemed to have accepted tendered original notes for exchange only when, as, and if we so notify Wachovia Bank, National Association, the exchange agent, and have complied with the registration rights agreement. We will deliver the exchange notes to Wachovia Bank, National Association, as agent for the tendering holders.

If, for any reason, we do not accept any tendered original notes for exchange, we will return them, without expense to the tendering holder, as soon as practical after the expiration or termination of the exchange offer.

Except for certain taxes, we will generally pay all charges and expenses in connection with the exchange offer. Tendering note holders will not be required

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to pay brokerage commissions or fees or, in most cases, transfer taxes, with respect to the exchange of their original notes in the exchange offer. See "The Exchange Offer -- Fees and Expenses".

### EXTENSIONS; AMENDMENTS; TERMINATION

We may extend the exchange offer by oral notice followed by written notice to the exchange agent and will mail an announcement of the extension to the registered holders of the original notes. The notice and mailing must occur prior to 9:00 a.m., Eastern Time, the next business day after the original expiration date. During any extension, we may continue to accept for exchange any previously tendered original notes that have not been withdrawn. During an extension, any holders who previously tendered original notes for exchange will be permitted to withdraw them.

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We also reserve the right, in our sole discretion to:

- delay our acceptance for exchange any original notes,
- terminate the exchange offer if any of the conditions described in "The Exchange Offer -- Conditions to the Exchange Offer" are not satisfied, or
- amend the terms of the exchange offer in any manner.

We may delay acceptance, terminate or amend the exchange offer by notice to the exchange agent. We will also notify the registered holders of original notes of any delay in acceptance, termination, or amendment as promptly as practicable. If we amend the exchange offer in a way we consider material, we will prepare a supplement to this prospectus in order to reflect the amendment and will distribute the prospectus supplement to the registered holders. Depending upon the significance of the amendment and the means we choose to notify registered holders, we may extend the exchange offer, if we deem necessary, to allow registered holders time to consider the effect of the amendment.

### INTEREST ON THE EXCHANGE NOTES

As with the original notes, we will pay interest on the exchange notes at an annual rate of 10 3/8%. We will pay accrued interest semi-annually, on February 1 and August 1. We will make our first interest payment on August 1, 2002. The first payment will include interest from the date we initially issue the exchange notes, plus any accrued interest on the original notes for the period from their initial issue through the date of exchange. Once we issue the exchange notes, interest will no longer accrue on original notes accepted for exchange.

### CONDITIONS TO THE EXCHANGE OFFER

We are not required to accept any original notes for exchange, or to issue any exchange notes, and we may terminate the exchange offer before we accept any original notes for exchange, if:

- any person sues, or threatens to sue, in any forum with respect to the exchange offer and, in our sole judgment, the suit might materially impair our ability to proceed with the exchange offer,
- a government proposes, adopts or enacts any law, statute, rule or regulation, or the SEC staff interprets any existing law, statute, rule or regulation in a way that, we believe, in our sole judgment, might materially impair our ability to proceed with the exchange offer, or

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- we do not receive any governmental approval that we, in our sole discretion, deem necessary to complete the exchange offer.

These conditions are for our sole benefit. We may assert or waive them in our sole discretion regardless of the circumstances giving rise to them before the expiration of the exchange offer. We may waive any of them, in whole or part, at any time and from time to time, prior to the expiration of the exchange offer, in our sole discretion, whether or not we waive any other conditions of the exchange offer. Our failure or delay at any time prior to the expiration of the exchange offer to exercise any of these rights will not be deemed a waiver of any such rights. The waiver of any of these rights with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances.

In addition, we will not accept any original notes for exchange, and we will not issue any exchange notes, if the SEC has threatened or issued a stop order with respect to:

- the registration statement of which this prospectus is a part, or
- the qualification of the indenture under the Trust Indenture Act of 1939.

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### PROCEDURES FOR TENDERING

You may only tender original notes held by you. To tender such notes, you must complete, sign, and date the letter of transmittal or a facsimile of the letter of transmittal, as well as comply with one of the procedures below for actual delivery of the original notes to us. Under certain circumstances described in the letter of transmittal, you must have your signature guaranteed. You must mail or deliver the letter of transmittal to the exchange agent before 12:00 Midnight, Eastern Time, on June 17, 2002, the day the offer expires. In addition, either

- you must deliver your original notes to the exchange agent with your letter of transmittal,
- the Depository Trust Company must confirm to the exchange agent that the original notes have been transferred by book entry into the exchange agent's account with Depository Trust Company, or
- you must comply with the guaranteed delivery procedures.

We discuss the procedures for book entry transfer and guaranteed delivery in the next two sections below.

THE EXCHANGE AGENT MUST RECEIVE THE LETTER OF TRANSMITTAL AND OTHER REQUIRED DOCUMENTS BEFORE 12:00 MIDNIGHT, EASTERN TIME, ON JUNE 17, 2002, THE DATE THE OFFER EXPIRES. OTHERWISE, WE WILL NOT CONSIDER YOUR NOTES TO BE PROPERLY TENDERED, AND WE WILL NOT ACCEPT THEM FOR EXCHANGE. The exchange agent's address is set forth on page 20 and also printed on the back cover page of this prospectus. Do not send your letter of transmittal or any original notes to us.

By tendering and not withdrawing original notes before the exchange offer

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expires, you agree to the terms and conditions described in this prospectus and the letter of transmittal. No alternative, conditional, irregular or contingent tender of original notes will be accepted.

We recommend that you use an overnight or hand delivery service instead of regular mail. In all cases, you should allow sufficient time for your tender materials to be delivered to the exchange agent before the offer expires. You may ask your broker, dealer, commercial bank, trust company or other nominee to handle these formalities for you. However, you are responsible for choosing how to deliver your original notes, the letter of transmittal and any other required documents to the exchange agent. You alone bear the risk of non-delivery or late delivery.

If you wish to tender any original notes of which you are the beneficial owner but that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you should contact the registered holder as soon as possible and arrange with the registered holder to tender on your behalf. If instead you wish to tender on your own behalf, you must first either:

- arrange to re-register the original notes in your name, or
- obtain a properly completed bond power from the registered holder of the original notes.

Please note that such a transfer of registered ownership may take considerable time. We cannot assure you that you will be able to re-register your original notes before the exchange offer expires.

If the letter of transmittal is signed by anyone other than the registered holder of the tendered original notes, we will only accept the notes for exchange if:

- the registered holder:
  - (a) endorses the original notes, or
  - (b) executes a properly completed bond power, and
- an eligible guarantor institution guarantees the registered holder's signature.

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Eligible guarantor institutions are:

- a member firm of a registered national securities exchange,
- a member firm of the National Association of Securities Dealers, Inc.,
- a commercial bank or trust company having an office or correspondent in the United States, or
- an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act and which is a member of a recognized signature guarantee program identified in the letter of transmittal.

The signature guarantee requirement does not apply to you if:

- you do not check the "Special Issuance Instructions" or "Special Delivery Instructions" boxes on the letter of transmittal, or

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- you are tendering for the account of an eligible institution.

If you sign a letter of transmittal or any original notes or bond powers in your capacity as a trustee, executor, administrator, guardian, attorney-in-fact, corporate officer or other fiduciary or representative, you should indicate your capacity when signing. You must provide with the letter of transmittal evidence satisfactory to us of your authority to act.

We will resolve all questions as to the validity, form, eligibility (including time of receipt), acceptance, and withdrawal of tendered original notes in our sole discretion. Our determinations on these issues and our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. We reserve the right to reject:

- any original notes that are not validly tendered, or
- any original notes where our acceptance would, in the opinion of our counsel, be unlawful.

We also reserve the right to waive any defects, irregularities or conditions of tender as to particular original notes. We may, in our discretion, allow tendering note holders an opportunity to cure any defects or irregularities with respect to particular original notes. Although we intend to notify holders of any defects or irregularities affecting their tenders, neither we, the exchange agent nor any other person shall be liable for any failure to give such notice. We will not consider a holder to have tendered original notes until the holder cures, or we waive, all defects or irregularities. Unless the holder instructs differently in the letter of transmittal, the exchange agent will return improperly tendered original notes to the tendering holder as soon as practical after the exchange offer expires.

We will issue exchange notes only after the exchange agent timely receives:

- (a) the tendered original notes, or
- (b) confirmation that they have been transferred by book entry into the exchange agent's account at the Depository Trust Company,
- a properly completed, duly executed letter of transmittal, and
- all other documents that might be required as indicated above or in the letter of transmittal.

If we do not accept your tendered original notes for exchange for any reason, or if you submit more original notes than your letter of transmittal indicates you wish to exchange, we will return the unaccepted or excess original notes to you, without cost, as soon as practical after the expiration or termination of the exchange offer. If you tendered the original notes by book-entry transfer, we will have the unaccepted or excess original notes credited to an account maintained with the Depository Trust Company.

### BOOK-ENTRY TRANSFER

Within two days after the date of this prospectus, the exchange agent will ask the Depository Trust Company to establish an account for purposes of receiving original notes tendered in connection with the exchange offer. Any financial institution that participates in the Depository Trust Company system may deliver original notes by having the Depository Trust Company transfer them

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by book-entry in the exchange agent's account.

IF YOU DELIVER ORIGINAL NOTES BY BOOK-ENTRY TRANSFER, YOU STILL MUST DELIVER THE LETTER OF TRANSMITTAL, WITH ANY REQUIRED SIGNATURE GUARANTEES, AND ANY OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT BEFORE THE EXCHANGE OFFER EXPIRES. PLEASE NOTE THAT DELIVERY OF DOCUMENTS TO THE DEPOSITORY TRUST COMPANY DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

### GUARANTEED DELIVERY PROCEDURES

You may use the guaranteed delivery procedures we describe in this section if you wish to tender your original notes and either:

- you do not have immediate access to your original notes;
- you cannot deliver your original notes, the letter of transmittal or any other required document to the exchange agent before the offer expires;  
or
- you are unable to complete the procedure for book-entry transfer on a timely basis.

The guaranteed delivery procedures require that:

- the tender is made through an eligible institution;
- the eligible institution, before the exchange offer expires, delivers a notice of guaranteed delivery (by fax, mail or hand delivery) to the exchange agent, which notice:
  - identifies the name and address of the holder,
  - identifies the registered number(s) and principal amount of the original notes tendered,
  - states that the original notes are being tendered, and
  - guarantees that the eligible institution will deliver the letter of transmittal, the original notes, and any other required documents to the exchange agent within three (3) Nasdaq trading days after the offer expires; and
- the exchange agent actually receives the letter of transmittal, the tendered original notes, and all other required documents within three (3) Nasdaq trading days after the offer expires. The eligible institution may deliver the original notes by book-entry transfer as described in the preceding section.

Upon request, the exchange agent will send a form of notice of guaranteed delivery to holders who wish to use these guaranteed delivery procedures. If you use the guaranteed delivery procedures, you must comply with them within the time period described in this section.

### WITHDRAWAL OF TENDERS

Except as otherwise provided in this prospectus, you may withdraw your tender of original notes at any time before 12:00 Midnight, Eastern Time, on June 17, 2002, the day before the exchange offer expires. If we extend the exchange offer beyond that date, you will be entitled to withdraw your tender of original notes during the extension period on the same terms described here for the initial offer period.

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For your withdrawal to be effective, the exchange agent must receive a timely written notice of withdrawal at one of the addresses listed in the "Exchange Agent" section below. The notice of withdrawal must:

- identify the person who tendered the original notes,
- identify the original notes to be withdrawn, including their principal amount(s), and
- where certificates for original notes have been transmitted, specify the name of the registered holder of the original notes if different from the name of the withdrawing holder.

If the exchange agent has received certificates for original notes, then, before it will release the certificates, the withdrawing holder must also provide:

- the serial numbers of the particular certificates to be withdrawn, and
- a signed notice of withdrawal with signatures guaranteed by an eligible institution, unless the withdrawing holder is itself an eligible institution.

If you tendered original notes using the book-entry transfer procedures, we will have the original notes credited to an account maintained with the Depository Trust Company. Your notice of withdrawal must specify the name and number of the account at the Depository Trust Company to which you want the withdrawn original notes credited. Your notice of withdrawal must also comply with any procedures of the Depository Trust Company.

As mentioned earlier, we reserve the right to resolve all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal. Our determination on these issues will be final and binding on all parties.

We will treat any withdrawn original notes as not validly tendered, and will return them to their holder without cost, as soon as practical after withdrawal. You may re-tender any properly withdrawn original notes by again following the tender procedures described in this prospectus before the offer expires.

### EXCHANGE AGENT

We have appointed Wachovia Bank, National Association as our exchange agent for this exchange offer. You should contact the exchange agent with any questions or requests for:

- assistance,
- additional copies of this prospectus,
- additional copies of the letter of transmittal, or
- copies of the notice of guaranteed delivery.

You may contact the exchange agent as follows:

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By Overnight Courier, Hand Delivery or  
Mail:

By Facsimile:

Wachovia Bank, National Association  
Customer Information Center  
Corporate Trust Operations  
1525 West W.T. Harris Boulevard  
3C3, NC 1153  
Charlotte, NC 28262

1-704-590-7688  
Confirm by telephone: 1-704-590-7413  
(For Eligible Institutions Only)

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### FEES AND EXPENSES

We will pay the expenses of soliciting tenders. We will make the principal solicitation by mail. We may make additional solicitations by telegraph, facsimile or telephone. We may also have our officers and regular employees make in-person solicitations.

We have not retained any dealer-manager in connection with the exchange offer. We will not pay any broker-dealers or others to solicit acceptances of the exchange offer. We will pay the exchange agent reasonable and customary fees for its services and will reimburse its reasonable out-of-pocket expenses in connection with the exchange offer.

We estimate that we will incur and pay \$120,000 in cash expenses in connection with the exchange offer. These expenses include registration fees, fees and expenses of the exchange agent and trustee, accounting and legal fees, printing costs, and related fees and expenses.

### TRANSFER TAXES

We will pay any transfer taxes imposed on the registered holder of original notes solely as a result of such holder's tender thereof for exchange notes issued to such holders in the exchange offer. We will not, however, pay any transfer taxes arising for any other reason. The tendering holder will be required to pay any such other taxes, whether imposed on the registered holder or any other person. For example, we will not pay taxes imposed on:

- the transfer, issuance or delivery of unexchanged original notes to any person other than their registered holder, or
- the registration of any original notes or exchange notes in the name of any person other than the tendering registered holder.

If the tendering holder does not provide with the letter of transmittal satisfactory evidence that it has paid or is exempt from any such other transfer taxes, such transfer taxes will be billed directly to such tendering holder.

### CONSEQUENCES OF FAILURE TO EXCHANGE

If you do not exchange your original notes in the exchange offer, your notes will continue to be subject to transfer restrictions, as reflected in their restrictive legends. These restrictions apply because we issued the

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original notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may not offer or sell the original notes unless they are registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register the original notes under the Securities Act.

The securities laws of certain states and other jurisdictions also prohibit the offer or sale of the original notes (and the exchange notes) unless they have been registered under those laws or are exempt from their registration requirements. We have agreed in the registration rights agreement, subject to limitations, to register or qualify the exchange notes for offer or sale under the securities or blue sky laws of such jurisdictions if a holder of exchange notes reasonably requests in writing. We do not intend to register or qualify the original notes under any such laws.

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### SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data presented below from our audited Consolidated Financial Statements and the notes thereto for the years indicated. You should read the financial data presented below together with our Consolidated Financial Statements and the notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 30, 2001, which is filed with the Securities and Exchange Commission, and is incorporated herein by reference.

	AS OF AND FOR THE YEAR ENDED				
	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 2001
	(DOLLARS IN THOUSANDS)				
STATEMENT OF INCOME DATA:					
Net sales.....	\$1,135,290	\$1,281,129	\$1,228,239	\$1,283,948	\$1,103,000
Gross profit on sales.....	379,556	433,469	382,115	388,004	316,000
Selling, general and administrative expenses.....	281,755	318,495	304,553	297,948	266,000
Restructuring charges.....	--	25,283	1,131	21,047	65,000
Operating income (loss).....	97,801	89,691	76,431	69,009	(16,000)
Interest expense (1).....	35,038	36,705	39,372	38,500	37,000
Net income (loss) applicable to common shareholders.....	37,514	29,823	23,545	17,321	(36,000)
OTHER DATA:					
EBITDA(2).....	\$ 136,406	\$ 157,560	\$ 123,351	\$ 140,681	\$ 31,000
Depreciation and amortization.....	38,605	42,586	45,789	50,625	47,000
Capital expenditures.....	38,654	45,227	37,278	30,495	30,000
Ratio of EBITDA to interest expense (1).....	3.89x	4.29x	3.13x	3.65x	0.00x
Ratio of earnings to fixed charges(1)(3).....	3.38x	3.76x	2.84x	3.19x	2.00x

AS OF

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	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 2001
(DOLLARS IN THOUSANDS)					
BALANCE SHEET DATA:					
Working capital.....	\$183,403	\$ 213,412	\$ 217,026	\$ 240,959	\$210,3
Total assets.....	929,563	1,036,864	1,028,495	1,034,849	954,7
Total long-term debt (4).....	392,250	390,437	402,118	422,358	454,9
Total common shareholders' equity.....	316,365	398,824	389,192	372,435	302,4
Total capitalization.....	711,604	791,056	793,322	799,957	761,9

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- (1) Interest expense includes the amount of fees paid under the receivables securitization program, which may be less than the amount of interest that would have been paid if the amount of receivables sold under such program had alternatively been borrowed.
  - (2) EBITDA represents income before income taxes plus net interest expense, depreciation, amortization, non-recurring charges and extraordinary items. While EBITDA should not be construed as a substitute for operating income or a better indicator of liquidity than cash flow from operating activities, which are determined in accordance with generally accepted accounting principles, it is included herein to provide additional information with respect to our ability to meet our future debt service, capital expenditures and working capital requirements. In addition, we believe that certain investors find EBITDA to be a useful tool for measuring the ability to service our debt. EBITDA is not necessarily a measure of our ability to fund cash needs.
  - (3) The ratio of earnings to fixed charges is determined by dividing the sum of earnings before non-recurring charges, extraordinary items, interest expense, taxes on income, depreciation, amortization and a portion of rent expense representative of the interest component, by the sum of interest expense and the portion of rent expense representative of the interest component.
  - (4) Total long term debt does not include receivables sold under our receivables securitization program. As of December 30, 2001, December 31, 2000, January 2, 2000, January 3, 1999 and December 28, 1997, we had sold receivables of \$34.0 million, \$54.0 million, \$40.0 million, \$45.6 million and \$49.6 million, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Our revenues are derived from sales of commercial floorcovering products (primarily modular and broadloom carpet) and related services, interior fabrics, raised/access flooring and other specialty products. Our business, as well as the commercial interiors market in general, is somewhat cyclical in nature and is impacted by economic conditions and trends that affect the markets for commercial and institutional business space. Our financial performance in recent years has been strongly tied to the corporate segment, although we have begun to focus more of our marketing and sales efforts on non-corporate segments to reduce in part our exposure to certain economic cycles that affect the corporate market segment more adversely, as well as to capture additional market share.

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Since 1999 (except for a modest rebound during the latter portion of 2000), the commercial interiors market as a whole, and the broadloom carpet market in particular, have experienced decreased demand levels. The general downturn in the domestic and international economy that characterized most of 2001 further adversely affected the commercial interiors market, especially in the U.S. corporate segment. These conditions significantly impaired our growth and profitability, especially during the latter portions of 2001.

Because we have substantial international operations, we are impacted, from time to time, by certain international developments that affect foreign currency transactions. For example, the performance of the euro against the U.S. dollar, for purposes of the translation of European revenues into U.S. dollars, adversely affected us to varying degrees in both 2000 and 2001, when the euro was weak relative to the U.S. dollar.

During 2001, we had net sales of \$1.104 billion and a net loss of \$36.3 million, or \$(0.72) per diluted share, after giving effect to a \$65.1 million nonrecurring pre-tax restructuring charge, compared with net sales of \$1.284 billion and net income of \$17.3 million, or \$0.34 per diluted share, during 2000 after giving effect to a \$21.0 million nonrecurring pre-tax restructuring charge. Net sales for 2001 consisted of floorcovering products (primarily modular and broadloom carpet) and related services (\$833.8 million), interior fabrics sales (\$209.9 million) and raised/access flooring and other specialty products sales (\$60.2 million), accounting for 75.5%, 19.0% and 5.5%, respectively, of total sales. Net sales for 2000 consisted of sales of floorcovering products and related services (\$951.7 million), interior fabrics sales (\$252.7 million) and raised/access flooring and other specialty products sales (\$79.6 million), accounting for 74.1%, 19.7% and 6.2% of total sales, respectively.

### IMPACT OF 2001 AND 2000 STRATEGIC RESTRUCTURING INITIATIVES

As indicated above, we incurred substantial, nonrecurring pre-tax restructuring charges in 2001 and 2000 -- \$65.1 million and \$21.0 million, respectively -- as we implemented various initiatives to reduce our operating costs and strengthen our ability to generate free cash flow. Excluding those restructuring charges, we had net income of \$6.9 million and \$31.8 million for 2001 and 2000, respectively.

The charge in 2001 reflected:

- our withdrawal from the European broadloom market;
- consolidation in our raised/access flooring operations;
- further rationalization of our U.S. broadloom operations and certain European modular operations;
- a reduction in force of over 800 employees, which represented 10% of our workforce worldwide; and
- the consolidation of certain non-strategic Re:Source Americas operations.

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The charge in 2000 reflected:

- the integration of our U.S. broadloom operations into a single manufacturing location;

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- the consolidation of a division's administrative, manufacturing, and back-office functions;
- a reduction of 425 employees in the U.S. and Europe;
- the divestiture of certain non-strategic Re:Source Americas operations; and
- the abandonment of manufacturing equipment utilized in the production of discontinued product lines.

The 2001 restructuring charge comprised \$24.0 million of cash expenditures for severance benefits and other costs and \$41.1 million of non-cash charges, primarily for the write-down of carrying value and disposal of assets, including goodwill. The 2001 restructuring initiatives have aspects that continued into 2002, and we anticipate that they will be completed by the end of the second quarter 2002. The 2000 restructuring charge comprised \$12.8 million of cash expenditures for severance benefits and relocation costs and \$8.2 million of non-cash charges, primarily for the write-down of impaired assets.

These initiatives are producing the strategic results we targeted, in that we have reduced our cost structure and have strengthened our free cash flow position. Additionally, in connection with our withdrawal from the European broadloom business, we are liquidating the net assets of that business. We believe that we will generate cash proceeds from this liquidation of approximately \$20 million, which will be used to offset redundancy costs associated with the closing of that business. We believe the 2001 restructuring initiatives alone will yield future annual cost savings of approximately \$25 million.

Further discussion about both the 2001 and 2000 restructuring charges appears in the notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 30, 2001, which is filed with the Securities and Exchange Commission and is incorporated herein by reference.

### RESULTS OF OPERATIONS

The following table presents, as a percentage of net sales, certain items included in our consolidated statements of operations.

	FISCAL YEAR ENDED		
	2001	2000	1999
	-----	-----	-----
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	71.4	69.8	68.9
	-----	-----	-----
Gross profit on sales.....	28.6	30.2	31.1
Selling, general and administrative expenses.....	24.2	23.2	24.8
Restructuring charges.....	5.9	1.6	.1
	-----	-----	-----
Operating income (loss).....	(1.5)	5.4	6.2
Other expense.....	3.4	3.1	3.1
	-----	-----	-----
Income (loss) before taxes on income (benefit).....	(4.9)	2.3	3.1
Taxes on income (benefit).....	(1.6)	1.0	1.2
	-----	-----	-----
Net income (loss).....	(3.3)	1.3	1.9

## FISCAL 2001 COMPARED WITH FISCAL 2000

Our net sales decreased \$180.0 million (14.0%) compared with 2000. The decrease was attributable primarily to (1) the decline of panel fabric sales to some original equipment manufacturer (OEM) furniture manufacturers (as a result of reduced demand in the commercial interiors market), (2) poor macroeconomic conditions, (3) reduced demand for steel panel products made by our raised/access flooring division, and (4) the liquidation of our European broadloom operation.

Cost of sales, as a percentage of net sales, increased to 71.4% in 2001, compared with 69.8% in 2000, primarily as a result of (1) the under-absorption of fixed manufacturing costs due to lower volume levels, and (2) other manufacturing costs associated with scaling production to meet demand levels.

Selling, general and administrative expenses declined by \$30.9 million in 2001, to \$267.0 million from \$297.9 million in the prior year, as a result of successful cost-cutting initiatives and other restructuring activities. Because of the lower level of net sales, however, selling, general and administrative expenses, as a percentage of net sales, increased to 24.2% in 2001 compared with 23.2% in 2000.

Other expense decreased \$1.4 million in 2001 compared with 2000, due primarily to lower London Interbank Offered Rate (LIBOR) interest rates.

The rate of the effective tax benefit recognized by the Company in 2001 was 32.5%, compared to an effective tax rate of 42.0% in 2000. This change was due to the write-off of certain non-deductible amounts as part of the restructuring charge taken during 2001 that reduced the tax benefit to the Company.

As a result of these factors, excluding restructuring charges, our net income decreased to \$6.9 million in 2001 versus \$31.8 million in 2000.

## FISCAL 2000 COMPARED WITH FISCAL 1999

Our net sales increased \$55.7 million (4.5%) compared with 1999. The increase was attributable primarily to increased sales volume within our interior fabrics segment as a result of the acquisition of certain assets of the Chatham Manufacturing division of CMI Industries, Inc.; our modular floorcovering business in the U.S., Europe and Asia; and our architectural products division in the U.S. These increases were somewhat offset by decreased sales volume in our broadloom operations in the U.S. and Europe; the planned reduction of sales volume in our Re:Source service network as it focuses on profitability; and the decline in value of the euro against the U.S. dollar.

Cost of sales, as a percentage of net sales, increased to 69.8% in 2000, compared to 68.9% in 1999. The increase was attributable to increased raw material prices, manufacturing inefficiencies in our U.S. and European broadloom operations, and the increase in the relative sales by the Company's architectural products division and Chatham operations, which historically have had lower gross profit margins than the Company's other product sales.

Selling, general and administrative expenses, as a percentage of net sales, declined to 23.2% in 2000 from 24.8% in 1999. The decrease was attributable to our cost reduction efforts through the introduction of the shared services approach in the Americas and the inclusion of recently acquired companies which

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have historically had lower SG&A costs as a percentage of sales.

Other expense increased \$.7 million in 2000 compared to 1999, due primarily to the non-recurring gain realized in 1999 as a result of the divestiture of some of our operating assets.

The effective tax rate was 42.0% for 2000, compared to 38.0% in 1999. The increase in the effective rate was primarily due to the write-off of certain non-deductible amounts as part of the restructuring charge taken in 2000 and lower pre-tax income in 2000.

As a result of the aforementioned factors, excluding the \$20.1 million restructuring charge recorded in 2000, our net income increased 35% to \$31.8 million in 2000 versus \$23.5 million in 1999.

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### LIQUIDITY AND CAPITAL RESOURCES

#### GENERAL

At December 30, 2001, we had \$0.8 million of cash and cash equivalents, and an additional \$209.9 million of working capital.

We currently estimate capital expenditures for 2002 of approximately \$16.0 million and have purchase commitments of approximately \$2.7 million for 2002. Based on current interest rate levels, we expect our interest expense in 2002 to be approximately \$40.0 million.

On August 8, 2001, the Company amended its revolving credit facility. The amendment, among other things, (1) eased certain financial covenants, (2) increased pricing on borrowings to reflect current market conditions, (3) decreased the revolving credit limit from \$300 million to \$250 million, and (4) granted first priority security interests in substantially all of our assets and substantially all of the assets of our material domestic subsidiaries, including all of the stock of our domestic subsidiaries and up to 65% of the stock of our first-tier material foreign subsidiaries.

In January 2002, we further amended and restated our revolving credit facility in connection with completing a private offering of \$175 million aggregate principal amount of 10.375% senior notes due in 2010. The net proceeds of the notes offering were used to repay borrowings under the facility.

Among other things, the January 2002 amendment and restatement of the revolving credit facility (1) decreased the revolving credit limit under the facility from \$250 million to \$100 million (subject to an asset borrowing base), (2) increased the pricing on our borrowings to reflect current market conditions and our current financial condition, and (3) eased our financial covenants. The facility will mature on May 15, 2005, subject to a possible extension of that maturity date to January 17, 2007 if we meet certain conditions relating to the repayment of long-term debt. Further discussion of the credit facility and related borrowings is included in the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 30, 2001, which is incorporated herein by reference.

#### ANALYSIS OF CASH FLOWS

Operating activities and proceeds from long-term debt provided our primary sources of cash during the last three fiscal years ended December 30, 2001. In 2001, operating activities generated \$18.3 million of cash compared with \$71.4 million in 2000 and \$71.1 million in 1999.

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The primary uses of cash during the last three fiscal years have been (1) acquisitions of businesses, (2) additions to property and equipment at the Company's manufacturing facilities, (3) cash dividends, and (4) expenditures related to our share repurchase program. For the three years ended December 30, 2001, acquisitions of businesses (net of dispositions) required \$22.2 million, the aggregate additions to property and equipment required cash expenditures of \$97.8 million, dividends required \$26.3 million, and share repurchases required \$19.7 million.

Pursuant to our share repurchase program, we are authorized to repurchase up to 4,000,000 shares of Class A Common Stock in the open market. As of December 30, 2001, we had repurchased an aggregate of 3,075,113 shares of Class A Common Stock under this program, at prices ranging from \$3.41 to \$16.78. Under a covenant in our revolving credit facility, we currently are prohibited from repurchasing shares under the program. However, if in the future we meet certain financial criteria, the prohibition will be lifted.

Management believes that cash provided by operations and long-term loan commitments will provide adequate funds for current commitments and other requirements in the foreseeable future.

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### CRITICAL ACCOUNTING POLICIES

High-quality financial statements require rigorous application of high-quality accounting policies. The policies discussed below are considered by management to be critical to an understanding of the financial statements because their application places the most significant demands on management's judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that future events may not develop as forecasted, and the best estimates routinely require adjustment.

**Revenue Recognition on Long-Term Contracts.** A portion of our revenues is derived from long-term contracts which are accounted for under the provisions of the American Institute of Certified Public Accountants' Statement of Position No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Long-term fixed-price contracts are recorded on the percentage of completion basis using the ratio of costs incurred to estimated total costs at completion as the measurement basis for progress toward completion and revenue recognition. Contract accounting requires significant judgment relative to assessing risks, estimating contract costs and making related assumptions for schedule and technical issues. With respect to contract change orders, claims or similar items, judgment must be used in estimating related amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is probable.

**Inventories.** We determine the value of inventories using the lower of cost or market. We write down inventories for the difference between the carrying value of the inventories and their estimated market value. If actual market conditions are less favorable than those projected by management, additional write-downs may be required.

**Pension Benefits.** Net pension expense recorded is based on, among other things, assumptions of the discount rate, estimated return on plan assets and salary increases. Changes in these and other factors and differences between actual and assumed changes in the present value of liabilities or assets of our

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plans above certain thresholds could cause net annual expense to increase or decrease materially from year to year.

**Environmental Remediation.** We provide for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Remediation liabilities are accrued based on estimates of known environmental exposures and are discounted in certain instances. We regularly monitor the progress of environmental remediation. Should studies indicate that the cost of remediation is to be more than previously estimated, an additional accrual would be recorded in the period in which such determination is made.

**Allowances for Doubtful Accounts.** We maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### FUNDING OBLIGATIONS

We have various contractual commitments and other obligations that we must fund in 2002 (including the \$2.7 million of capital expenditure commitments noted above) and future years as part of our normal operations. Summary information about these matters is set forth in the following tables.

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The following table discloses aggregate information, as of March 12, 2002, about our contractual obligations and the periods in which payments are due:

	TOTAL PAYMENTS DUE	PAYMENTS DUE BY PERIOD			
		2002	2003-2004	2005-2006	AFTER 2006
(IN THOUSANDS)					
Long-Term Debt.....	\$ 38,000	\$ --	\$ --	\$ 31,500	\$ 6,500
Senior and Senior Subordinated Notes.....	450,000	--	--	125,000	325,000
Operating Leases.....	89,026	23,275	32,707	16,153	16,891
Unconditional Purchase Obligations.....	2,651	2,651	--	--	--
Total Contractual Cash Obligations.....	<u>\$579,677</u>	<u>\$25,926</u>	<u>\$32,707</u>	<u>\$172,653</u>	<u>\$348,391</u>

The following table discloses aggregate information, as of March 12, 2002, about other commercial commitments for which we could be obligated to pay in the future but are not included in our consolidated balance sheet.

TOTAL AMOUNTS	AMOUNT OF COMMITMENT EXPIRATION PER PERIOD
	AFTER

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	COMMITTED	2002	2003-2004	2005-2006	2006
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
Lines of Credit*.....	\$21,559	\$ --	\$21,559	\$ --	\$ --
Standby Letters of Credit.....	10,846	--	10,846	--	--
	-----	-----	-----	-----	-----
Total Commercial Commitments.....	\$32,405	\$ --	\$32,405	\$ --	\$ --
	=====	=====	=====	=====	=====

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\* Represents 365-day facilities available under subsidiaries' names that currently are not drawn upon.

ACCOUNTS RECEIVABLE SECURITIZATION PROGRAM

In December 2000, we commenced an accounts receivable securitization program that provides funding from the sale of trade accounts receivable generated by certain of our operating subsidiaries. (Prior to December 2000, the Company had a similar program that began in 1995.) As of December 30, 2001, Bentley Mills, Inc. (now known as Bentley Prince Street, Inc.), Chatham Marketing Co., Guilford of Maine Marketing Co., Intek Marketing Co., Interface Americas, Inc., Interface Architectural Resources, Inc., Interface Flooring Systems, Inc., Pandel, Inc. and Toltec Fabrics, Inc. (who are, collectively, referred to as the Originators) were the only subsidiaries participating in the Securitization Program.

Under the Securitization Program, Interface purchases, on a daily basis, accounts receivable from the Originators for a cash purchase price equal to the outstanding balance of the receivables at the time of sale (net of reserves for doubtful accounts) pursuant to a receivables transfer agreement. A single-purpose, wholly owned subsidiary, Interface Securitization Corporation, referred to as ISC, purchases on a daily basis accounts receivable from Interface for cash and a subordinate note for a purchase price equal to the outstanding balance of the receivables at the time of sale (net of reserves for doubtful accounts). Pursuant to a receivables purchase agreement, Jupiter Securitization Corporation, referred to as JSC, or if JSC shall decline to purchase, Bank One, NA (collectively, the "Receivables Purchaser"), acquires an undivided percentage ownership interest in the pool by paying cash to ISC. Interface, as servicer for ISC, and the Receivables Purchaser control and administer daily collections on the receivables in the pool, which are automatically reinvested and used to purchase new receivables from us. The Receivables Purchaser's ownership interest in the pool is recalculated to reflect the effect of each day's collections and reinvestment. In the absence of unanticipated events (such as a cessation of reinvestments as discussed below), the Receivables Purchaser's percentage ownership interest in the pool will generally be equal to 100%, even though the aggregate balance of the receivables in the pool will be significantly greater than the amount invested by the Receivables Purchaser. As of December 30, 2001, the program provided for up to a maximum amount of \$65.0 million of funding from the sale of accounts receivable. In February 2002, however, the maximum amount of funding available under the program was reduced to \$50.0 million.

As of December 30, 2001 the Receivables Purchaser's investment in the pool was \$34.0 million; the aggregate balance of the receivables in the pool on that date was \$56.1 million; and the percentage amount of the Receivables Purchaser's undivided ownership interest in the pool was 100%. The effective interest rate on the program for 2001 was 3.6%.

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The purchase agreement specifies several events of termination that would permit the Receivables Purchaser to cease reinvestment of its share of daily collections and to receive such collections until its investment is fully recovered. If an event of termination exists under the purchase agreement, the Receivables Purchaser would not be obligated to purchase interests in the pool. In that event, we expect that we would seek to borrow a sufficient sum under our revolving credit facility to permit ISC to repay all amounts owing to the Receivables Purchaser with respect to its ownership interests in the pool. However, the occurrence of events of termination under the purchase agreement may also constitute events of default under our credit facility, which would permit the lenders to withhold future loans to us. If we were not able to borrow sufficient sums under the credit facility (or otherwise obtain the funding necessary) to refinance the Receivables Purchaser's interest in the pool, then control of collections on the receivables in the pool would remain with the Receivables Purchaser until it recovers its investments in the pool. If an event of termination exists under the purchase agreement, the originators are not obligated to continue to sell their receivables to us and we are not obligated to sell receivables to ISC.

### PARTNERSHIP WITH ABN AMRO BANK N.V.

In 1998, our subsidiary Interface Europe B.V. formed a partnership with ABN AMRO Bank N.V. in the Netherlands for the purpose of developing an office building and warehouse facility in Scherpenzeel. Recourse against Interface Europe is limited to the amount of its investment in the partnership, which is approximately \$1.0 million. Upon completion of the office building and warehouse facility, the partnership leased those facilities to Interface Europe and Interface International B.V. (which is a subsidiary of Interface Europe). At the expiration of the lease, Interface Europe and Interface International have the option to purchase the facilities from the partnership at fair market value.

### RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board finalized Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations. SFAS 141 also requires the recognition of acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 141 applies to all business combinations initiated after June 30, 2001, and to purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS 142, the reclassification of the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires companies to identify reporting units for the purpose of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS 142 requires a transitional goodwill impairment test six months from the date of adoption. We also will be required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

We accounted for our previous business combinations using the purchase

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method. As of December 30, 2001, the net carrying amount of goodwill was \$251.9 million and other intangible assets was \$4.5 million. Amortization expense during the fiscal year ended December 30, 2001 was \$9.8 million.

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Currently, we are assessing, but have not yet determined, how the adoption of SFAS 142 will impact our financial position and results of operations.

In June 2001, the Financial Accounting Standards Board approved the issuance of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS 143 establishes accounting standards for the recognition and measurement of legal obligations associated with the retirement of tangible long-lived assets and requires recognition of a liability for an asset retirement obligation in the period in which it is incurred. The provisions of this statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. We are in the process of evaluating the impact this standard will have on our financial statements.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. We are in the process of evaluating the impact this standard will have on our financial statements.

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### BUSINESS

#### GENERAL

We are a global manufacturer, marketer, installer and servicer of products for the commercial and institutional interiors market with a strong presence in the following market segments:

- Modular carpet;
- Broadloom carpet;
- Floorcovering services;
- Interior panel fabrics;
- Upholstery fabrics; and
- Raised/Access flooring.

With a market share of approximately 35%, we are the worldwide leader in the modular carpet segment. Our Bentley(R) and Prince Street(R) brands are leaders in the high quality, designer-oriented sector of the broadloom carpet segment. We provide specialized carpet replacement, installation and maintenance services through our Re:Source Americas service network. Our Fabrics Group includes the leading U.S. manufacturer of panel fabrics for use in open plan office furniture systems, with a market share in excess of 50%, and the leading U.S. manufacturer of contract upholstery sold to office furniture manufacturers and contract jobbers, with a U.S. contract upholstery market share of approximately 35%. Our specialty products operations produce raised/access flooring systems (for which we are the second largest U.S. manufacturer), antimicrobial additives, adhesives

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and other specialty chemical compounds and products. These complementary product offerings, together with an integrated marketing philosophy, enable Interface to take a "total interior solutions" apILY: times new roman; FONT-SIZE: 10pt">

TOTAL ASSETS

282,443,864

192,065,683

48,708,047

523,217,594

226,998,590

118,700,758

37,640,129

383,339,477

LIABILITIES:

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Notes payable

-

-

30,150,000

30,150,000

-

-

34,800,000

34,800,000

Unpaid anti-discrimination refunds

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385,615

-

-

385,615

54,658

-

-

54,658

Unpaid administrative expenses

-

25,855

-

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25,855

-

24,217

-

24,217

TOTAL LIABILITIES

385,615

25,855

30,150,000

30,561,470

54,658

24,217

34,800,000

34,878,875

NET ASSETS AVAILABLE FOR BENEFITS  
\$

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282,058,250

\$

192,039,826

\$

18,558,047

\$

492,656,124

\$

226,943,932

\$

118,676,541

\$

2,840,129

\$

348,460,602



The accompanying notes are an integral part of the financial statements.



OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

## STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31, 2013 and 2012

	2013			2012				
	Participant Directed Account	Non-Participant Directed Account	Unallocated Account	Combined Account	Participant Directed Account	Non-Participant Directed Account	Unallocated Account	Combined Account
Additions (Reductions):								
Employer contributions	\$	89,813	\$ 3,955,728	\$ 4,045,541	\$	-	\$ 3,344,591	\$ 3,344,591
Common shares committed for release to participants (572,535 shares at \$17.27 per share and 548,974 shares at \$10.65 per share, respectively)	-	9,887,679	-	9,887,679	-	5,846,573	-	5,846,573
Employer contributions	22,975,580	-	-	22,975,580	21,004,102	-	-	21,004,102
Interfund transfers	4,639,804	(4,639,804)	-	-	1,531,466	(1,531,466)	-	-
Interest income	4,365	-	183	4,548	2,217	-	136	2,353
Dividend income	9,023,364	7,614,815	2,329,108	18,967,287	5,041,528	7,412,735	2,683,275	15,137,538
Net appreciation (depreciation) in	40,736,183	71,668,931	20,506,303	132,911,417	21,187,563	14,226,126	5,032,311	40,446,000

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fair value of investments								
Total additions (reductions)	77,379,296	84,621,434	26,791,322	188,792,052	48,766,876	25,953,968	11,060,313	85,781,157
Deductions:								
Termination and withdrawal benefits	1,851,640	11,216,258	-	33,067,898	25,419,182	9,014,200	-	34,433,382
Common shares committed for release to participants (572,535 shares at \$17.27 per share and 548,974 shares at \$10.65 per share, respectively)	-	-	9,887,679	9,887,679	-	-	5,846,573	5,846,573
Interest expense	-	-	1,184,883	1,184,883	-	-	1,378,719	1,378,719
Anti-discrimination refunds	385,615	-	-	385,615	54,658	-	-	54,658
Administrative expenses	27,723	41,891	841	70,455	53,607	59,893	717	114,217
Total deductions	22,264,978	11,258,149	11,073,403	44,596,530	25,527,447	9,074,093	7,226,009	41,827,549
Net additions (deductions)	55,114,318	73,363,285	15,717,919	144,195,522	23,239,429	16,879,875	3,834,304	43,953,608
NET ASSETS AVAILABLE FOR BENEFITS:								
	226,943,932	118,676,541	2,840,129	348,460,602	203,704,503	101,796,666	(994,175)	304,506,994

Beginning

of

year

End \$ 282,058,250 \$ 192,039,826 \$ 18,558,047 \$ 492,656,124 \$ 226,943,932 \$ 118,676,541 \$ 2,840,129 \$ 348,460,602

of

year

The accompanying notes are an integral part of  
the financial statements.

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

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1. Description of Plan

The accompanying financial statements of the Old Republic International Corporation Employees Savings and Stock Ownership Plan (the Plan) include plan assets for employees of Old Republic International Corporation and participating subsidiaries [the Corporation, the Plan Sponsor, the Company(ies) or the Employer(s)]. These financial statements and accompanying notes together provide only general information about the Plan. The Plan Document must be referred to for a complete description of the Plan's provisions.

B. General

The Plan is a defined contribution plan, under the provisions of Section 401(k) of the Internal Revenue Code, covering a majority of employees of the Corporation and certain of its subsidiary companies and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Employees become participants in the Plan on their employment date and as soon as they elect to make contributions to the Plan. Effective as of January 1, 2008, the Plan was amended and operates, in relevant part, as a leveraged employee stock ownership plan (ESOP), and is designed to comply with Section 4975(e)(7) and the regulations there under of the Internal Revenue Code of 1986, as amended (Code) and is subject to the applicable provisions of ERISA.

The Plan purchased Corporation common shares (ESSOP shares) using the proceeds of loans from the Corporation and participating subsidiary companies (see Note 4). Unallocated ESSOP shares purchased with the Corporation loan proceeds are pledged as collateral on the Corporation loan. The participating subsidiary company loans are guaranteed by the Corporation. ESSOP shares are held in a trust established under the Plan. The borrowings and interest costs are to be repaid over a ten year period by fully deductible Corporation contributions to the Plan, dividends from unallocated Corporation stock, and any earnings the net funds may earn.

The Corporation borrowed funds from a third-party lending institution to fund a portion of the loan proceeds. The Corporation borrowings are collateralized by the associated unallocated ESSOP shares of stock. The lender has no rights against shares once they are allocated under the Plan. Accordingly, the financial statements of the Plan as herein included, present separately the assets and liabilities and changes therein pertaining to the stock not yet allocated to participants under the column entitled "Unallocated Account." Shares allocated are included in the financial statements herein under the columns entitled "Non-participant Directed Account" and are entitled to diversification as afforded within the Plan document.

On an annual basis, the Plan makes a calculation of the number of shares to be allocated (released) to the account of eligible participants. The calculation of allocated shares is made in accordance with applicable regulations under the Code and the Plan document. Shares allocated to participants will vest in accordance with the stated vesting provisions in the Plan document (see Note 1E).

C. Contributions

Deferral elected contributions from employees are made on a pretax basis up to a limit of \$17,000 in 2013. Participants may elect to make additional contributions, on a post-tax basis, up to a maximum of 100% of eligible compensation, as defined in the Plan, not to exceed the limits set by Section 415 of the Code. All contributions are recorded in the period in which the Companies make payroll deductions from Plan participants. Any employee who does not contribute to the Plan does not receive a Company matching contribution. Only employee contributions up to 6% are matched. However, the maximum amount of contribution which can be matched per employee cannot exceed \$9,000 (6% of \$150,000) per Plan year. Contributions are also subject to other Code limitations (including the limits imposed by Code Section 415).

Employees may also roll over into the Plan qualified distributions from their previous employer(s)' qualified plan(s). In addition, employees who are 50 years of age at any time during the Plan year, may make additional, pretax, catch-up contributions up to \$5,500 in 2013. Rollovers and catch-up contributions are not eligible for company matching.

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

Participants direct the investment of their contributions into various Fidelity Investment mutual funds offered by the Plan, of which there are currently twenty three. In addition, participants may also direct their contributions to buy Old Republic common stock. Participants may change the investment allocation of their contributions and earnings up to 12 times a year.

A Plan participant is eligible to receive an allocation of ESSOP shares if the following criteria are met:

- the participant completes 1,000 or more hours of service during the year and
- the participant is employed by one of the Companies on December 31 of that year, died or became fully disabled during the year, or retired during the year after attaining age 65.

The Company contributions, when aggregated with the Plan's dividends and other earnings on the unallocated ESSOP shares, are used to fund the Plan's debt service. The debt service funding triggers the release of shares to be allocated to participants' accounts, in accordance with regulations under ERISA, the Code and the Plan Document.

The Company matching contribution is based on the following formula:

	If the percentage increase in the Corporation's average operating operating earnings per share for the most recent five year period is				
	Less Than	6.00%	9.01%	15.01%	Over
	6%	to 9%	to 15%	to 20%	20%
	The Resulting Employer Matching Contribution				
	On the First 6% OF Employee Savings Will Be:				
Percentage of Recognized Compensation Contributed					
1.00%	30%	40%	65%	100%	140%
1.01% to 2.00%	28%	38%	63%	98%	138%
2.01% to 3.00%	26%	36%	61%	96%	136%
3.01% to 4.00%	24%	34%	59%	94%	134%
4.01% to 5.00%	22%	32%	57%	92%	132%
5.01% to 6.00%	20%	30%	55%	90%	130%
6.01% to 15.00%	None	None	None	None	None

The percentage increase in the Corporation's average operating earnings per share is obtained by comparing the average diluted operating earnings per share for the Corporation for the five years ending with the calculation year, to the same average for the five years ending the year prior to the calculation year. Operating earnings per share are equal to net income per share exclusive of realized capital gains or losses and extraordinary items and income taxes applicable thereto.

Additional amounts from consolidated annual net profits after taxes or accumulated earnings as the Board of Directors of the Companies may determine from time to time may be added to the contributions resulting from the above formula. The amount of the Companies' contributions are subject to the following limitations:

- Prior to December 31, 2008, no contribution could be made if the Corporation's consolidated annual net profit before extraordinary items and taxes was less than \$2,500,000. Effective as of December 31, 2008, the Plan was amended to allow the Corporation's Board of Directors to waive such minimum profit requirement. For plan years 2013 and 2012, the Corporation's Board of Directors elected to waive the Plan's minimum profit requirements and declared contributions of \$4,043,541 and \$3,344,591, respectively, of which \$1,388,655 in 2013 and \$826,889 in 2012 were deemed discretionary contributions. The approval of these amounts was necessary to enable the Plan to meet its debt service requirements for 2013 and 2012. For financial statement purposes, the discretionary contribution is included with the employer matching contribution.
- No contribution shall be made by any Employer for any fiscal year which exceeds the maximum amount currently deductible by that Employer under section 404 of the Code.
- No contribution shall be made by any Employer for any fiscal year which would cause its total contribution to exceed the amount of its annual net profit before taxes and its accumulated earnings.

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

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D. Employee Account

When a Plan participant makes employee contributions, the contributions are allocated to the mutual fund(s) or Old Republic common stock fund as designated by the participant. These funds constitute the participant's Employee Account which, for financial statement purposes, is included under the column entitled "Participant Directed Account." Earnings or losses inure to each Plan participant's Employee Account on a daily basis, based upon the performance of the mutual fund(s) and Old Republic common stock fund that the Plan participant selected. Participants are fully vested in their contribution funds and earnings/losses thereon. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

For contributions made to the Plan prior to 2005, participants may make in-service withdrawals from their Employee Account no more than twice during a plan year. The minimum amount of such in-service withdrawal shall be the lower of \$500 or the balance of the participant's Employee Account as of the last day of the prior plan year. For contributions made to the Plan after 2004, participants may make in-service withdrawals, including contributions made during the year of the in-service withdrawal, only if they meet the hardship provisions outlined in the Internal Revenue Service Regulations.

E. Company Account

Each year, the released shares triggered by the debt service funding and the earnings/losses thereon are allocated to the participant's Company Account which, for financial statement purposes, is included under the column entitled "Non-Participant Directed Account." If a Plan participant terminates service with the Companies, the amount that he/she receives from his/her Company Account depends upon his/her vested interest in such account. A Plan participant vests in his/her Company Account based on his/her "Years of Service," over a six year period, with 20% vesting after two years of service plus an additional 20% per additional vesting year.

A Plan participant earns a Year of Service for each calendar year during which he/she completes 1,000 or more hours of service for the Companies. However, a Plan participant will become 100% vested in his/her Company Account prior to six years of service if:

- the Plan participant has reached age 65, or
  - termination is caused by death, or
- termination is caused by total and permanent disability which renders the employee incapable of performing satisfactory service for the Companies.

Upon meeting any of the above, the participant may elect to receive his/her benefits in the form of cash or Old Republic International Corporation common shares (Company Stock). If a participant elects a cash distribution of both his/her Company Account and Employee Account, he/she may elect to be paid:

- in one lump sum, or
  - in a direct rollover to an eligible retirement plan specified by the participant, or
- in substantially equal annual or more frequent installments paid over a reasonable period of time not to exceed the life expectancy of the participant or the joint life expectancy of the participant and his/her spouse or designated

beneficiary.

The amount a Plan participant receives from his/her Company Account is also affected by forfeitures and earnings/losses. If a Plan participant terminates service prior to full vesting, the non-vested portion of his/her Company Account is forfeited. Forfeited matching amounts are re-allocated to remaining participants who made employee contributions, completed 1,000 or more hours of service for the Company during the year, and are employed by the Company on December 31 or terminated service due to retirement on or after age 65, death, or total and permanent disability. Forfeited amounts from other employer discretionary contributions not included in matching contributions are reallocated to all remaining eligible Plan participants who are employed by the Companies on the last day of the year. Forfeitures are allocated based upon the ratio of the Plan participant's eligible compensation to the eligible compensation of all eligible Plan participants (eligible compensation is limited to a maximum of \$150,000). Forfeitures allocated in the 2013 and 2012 plan years were \$408,000 and \$234,000, respectively.

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

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Each participant's account is credited with an allocation of ESSOP shares released by the Trustee from the unallocated account and forfeitures of terminated participants' non-vested accounts. Only those participants who are eligible participants, as described above, will receive an allocation in accordance with the Plan document.

Participants are able to divest Company Stock acquired with employer matching and profit sharing contributions after completing three years of service. The investment options available for diversification are the same mutual funds available for investment of Employee contributions. Previously diversified funds may be re-diversified into Old Republic common stock. For financial statement purposes, diversified funds are transferred from the Non-Participant Directed Account to the Participant Directed Account, but are still considered part of the Company Account.

F. Unallocated Account

The unallocated account represents all assets and liabilities of the Plan relating to the leveraging of the Plan and not yet allocated or committed to be allocated to participants.

G. Common Shares Committed to be Allocated to Participants

The Common Shares Committed to be Allocated to Participants represents the fair market value of the ESSOP shares to be allocated to participants' accounts after December 31. It represents the number of shares calculated in accordance with applicable regulations under the Code. It takes into account the debt service provided by the company matching and other discretionary contributions, and dividends received on the unallocated ESSOP shares during the year. The release fraction applied to the number of unreleased shares at December 31 is the principal paid that coincides with the timing of the company matching contribution, discretionary contributions, and the interest paid during the plan year (numerator) divided by the numerator plus an estimate of the remaining future principal and interest (assuming most recent interest rate at December 31) to be paid.

At December 31, 2013 and 2012, 572,535 and 548,974 ESSOP shares, respectively, were committed to be released and 2,525,093 and 3,097,628, respectively, remained as unallocated. It should be noted that there is no connection as to the number of shares being allocated and the market value of the Corporation's common shares at any given time. Hence, the market value of the stock on the actual day of allocation (release) to participants' accounts may vary from the fair market value at December 31, 2013 and 2012, as presented in the financial statements.

H. Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such voting rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee is required, however, to vote any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

2. Summary of Accounting Policies

A. Basis of Accounting

The Plan's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan's administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results can differ from those estimates.

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

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C. Risks and Uncertainties

Besides the investment of matching contributions into common stock of the Corporation, the Plan provides participants with various investment alternatives for their savings contributions and or diversifications. These investment alternatives are made up of various types of Fidelity Investment mutual funds which can be equity based, fixed income based or a combination thereof. In addition, participants may also direct their contributions to buy Old Republic common stock.

All of the above investment alternatives are exposed to various market risks including the level of interest rates, economic conditions and individual credit profiles. Due to these risks and the uncertainty related to changes in the market value of underlying investment securities, it is possible that participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits could be materially affected.

D. Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Shares of mutual funds are valued at the net asset value of shares held by the Plan at the valuation date. Old Republic International Corporation common shares are traded on a national securities exchange and are valued at the last reported sales price on the last business day of the year. Short-term investments are valued at cost plus accrued interest which approximates fair value.

The statements of changes in net assets available for benefits reflect the net appreciation (depreciation) in fair value of the Plan's investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) on those investments. Interest income is recorded as earned and dividend income is recorded as earned on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

E. Termination and Withdrawal Benefit Payments

Termination and withdrawal benefit payments are recorded upon distribution payment.

F. Plan Expenses

Plan expenses including fees for trustee, legal, accounting, auditing, investment, custodial and other services are paid by the Plan and included in administrative expenses. Certain other expenses are paid or provided by the Plan Sponsor. Investment management fees paid by the Plan are included in the net fund investment appreciation (depreciation) for the year.

G. Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued.



OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

3. Investments

A. Investments Greater Than 5% of Plan Net Assets

The following presents investments, the fair value of which are 5% or more of Plan net assets available for benefits at December 31:

	2013	2012
Old Republic International Corporation Common Stock:		
Allocated and participant directed accounts (374,906 and 380,475 shares, respectively)	\$ 6,474,623	\$ 4,052,060
Allocated and non-participant directed accounts (10,536,473 and 10,592,609 shares, respectively)	181,964,895	112,811,282
Committed to be allocated to participant accounts (572,535 and 548,974 shares, respectively)	9,887,679	5,846,573
Not allocated to participant accounts (2,525,093 and 3,097,628 shares, respectively)	43,608,356	32,989,738
Total held by the Plan (14,009,007 and 14,619,686 shares, respectively)	\$ 241,935,553	\$ 155,699,653
Spartan 500 Index Institutional Fund		
Fidelity Cash Reserves Fund	\$ 26,381,790	\$ 19,235,158
Fidelity Freedom 2020 Fund	\$ 25,350,660	\$ 18,978,548
Fidelity Dividend Growth Fund	*	\$ 8,725,881
		\$
Fidelity Cash Reserves Fund	*	17,665,837

\* Investment balance was less than 5% of net assets available for benefits at December 31, 2013.

Net appreciation (depreciation) in the fair value of investments is broken down as follows for the years ended December 31:

	2013	2012
Old Republic International Corporation Common Stock	\$ 94,682,572	\$ 19,737,560
Mutual funds	38,228,845	20,708,440
	\$ 132,911,417	\$ 40,446,000

B. Fair Value Measurements

The Plan investments are reported at fair value in the accompanying statements of net assets available for plan benefits. Fair value is defined as the estimated price that is likely to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. A fair value hierarchy is established that prioritizes the sources (“inputs”) used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1); observable inputs based on corroboration with available market data (Level 2); and unobservable inputs based on uncorroborated market data or a reporting entity’s own assumptions (Level 3).

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The valuation methodologies used for assets measured at fair value are discussed further in Note 2(D). There have been no changes in the methodologies used at December 31, 2013 from prior years.

OLD REPUBLIC INTERNATIONAL CORPORATION  
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NOTES TO FINANCIAL STATEMENTS

The following table set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012

	Fair Value Measurements as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Balanced funds	\$ 72,831,369	\$ -	\$ -	\$ 72,831,369
Equity funds	104,463,077	-	-	104,463,077
Fixed Income funds	56,379,483	-	-	56,379,483
Growth fund	7,921,625	-	-	7,921,625
Index funds	34,172,009	-	-	34,172,009
Total mutual funds	275,767,563	-	-	275,767,563
Company common stock	241,935,553	-	-	241,935,553
Other short-term	1,143,945	-	-	1,143,945
Total investments at fair value	\$ 518,847,061	\$ -	\$ -	\$ 518,847,061

	Fair Value Measurements as of December 31, 2012:			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Balanced funds	\$ 57,649,052	\$ -	\$ -	\$ 57,649,052
Equity funds	79,139,119	-	-	79,139,119
Fixed Income funds	54,979,767	-	-	54,979,767
Growth fund	5,716,807	-	-	5,716,807
Index funds	25,504,655	-	-	25,504,655
Total mutual funds	222,989,400	-	-	222,989,400
Company common stock	155,699,653	-	-	155,699,653
Other short-term	1,305,782	-	-	1,305,782
Total investments at fair value	\$ 379,994,835	\$ -	\$ -	\$ 379,994,835

#### 4. Notes Payable

In December 2008, the Plan entered into term loan agreements with the Corporation and participating subsidiary companies for aggregate borrowings of \$50,000,000 (\$30,000,000 from the Corporation and \$20,000,000 from the participating subsidiary companies). The proceeds of the loans were used to purchase 5,488,475 shares of the Corporation's common stock. Unallocated shares associated with the Corporation's loan are collateral on the loans. The Corporation pledged its rights associated with the collateral shares as collateral on the Corporation's loan with a financial institution. The participating subsidiary company loans are guaranteed by the Corporation. The loans all bear interest at a variable interest rate indexed to the London Interbank Offered Rate (LIBOR) plus 350 basis points. The interest rate was 3.67% and 3.71% at December 31, 2013 and 2012, respectively.

Interest is payable quarterly with any remaining accrued interest due and payable on maturity of the loan. Principal on the Corporation's loan is payable in accordance with the following maturity schedule through March 2018 when any remaining principal and accrued interest are due and payable. Principal amounts on the participating subsidiary company loans are due on March 31, 2014, subject to annual loan renewal under the ESSOP loan agreements dated December 8, 2008. In 2014, the Plan repaid \$2,040,000 principal to the subsidiary companies. The repayment of the remaining principal balance of \$10,020,000 was extended through March 31, 2015.

At December 31, 2013, loans due to the Corporation and participating subsidiary companies aggregated \$30,150,000.

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

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Maturities of the Plan's ESSOP loans are as follows:

		Total	Corporation	Participating Subsidiary Companies
2014	\$	5,100,000	\$ 3,060,000	\$ 2,040,000
2015		13,320,000	3,300,000	
				10,020,000
2016		3,570,000	3,570,000	-
2017		3,960,000	3,960,000	-
2018		4,200,000	4,200,000	-
Total	\$	30,150,000	\$ 18,090,000	\$ 12,060,000

The fair value of the Plan's notes payable are equal to their carrying value. The estimated fair value is based on an internally generated interest yield market matrix table, which incorporates maturity, coupon rate, credit quality, structure and current market conditions. All notes payable are classified within Level 3 of the fair value hierarchy as described in Note 3(B).

#### 5. Parties in Interest

Old Republic International Corporation and participating subsidiaries are parties in interest. The Plan's Non-Participant Directed Account (Company Account) and Unallocated Account are made up of the Corporation's common stock as noted in Note 3. Also, office personnel, space and equipment are furnished by the Companies at no charge to the Plan.

Fidelity Investments Institutional Services Company, Inc. (Fidelity Investments), a subsidiary of FMR Corporation, is the Plan's custodian, record keeper and provider of educational information to Plan participants. All mutual funds are managed by subsidiaries of FMR Corporation, which make FMR Corporation a party in interest. Fees paid by the Plan to Fidelity Investments for custodianship, transaction and maintenance were \$37,876 and \$64,848 during 2013 and 2012, respectively.

#### 6. Termination Priorities

Although it has no plans to do so, the Corporation reserves the right, either with or without formal action, to terminate the Plan. Each Employer reserves the right to permanently discontinue its contributions to the Plan. In the event that an Employer permanently discontinues its contributions to the Plan, or the Corporation terminates the Plan, or the Plan is partially terminated under operation of law, the accounts of the affected participants shall be fully vested and non-forfeitable. Upon termination of the Plan, the Plan shall direct the trustee to pay all liabilities and expenses of the Trust Fund and sell shares of financed ESSOP shares held in the loan suspense account to the extent it determines such sale to be necessary in order to repay the loans.

#### 7. Tax Status

The Internal Revenue Service issued a favorable determination letter, dated September 19, 2013, stating that the Plan is designed in accordance with applicable sections of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan's Sponsor believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code, therefore, no provision for income taxes has been included in the Plan's financial statements.

8. Anti-Discrimination Refunds

Due to limits imposed by Internal Revenue Code Section 415 and ERISA, tests are performed annually to determine that the Plan has not discriminated between highly compensated employees and non-highly compensated employees. In most years, initial tests indicate that there is an excess differential between contributions by highly

OLD REPUBLIC INTERNATIONAL CORPORATION  
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

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compensated employees and non-highly compensated employees. To bring the Plan into compliance, a determination is made as to how many contributions need to be returned to highly compensated employees so the Plan can meet "Actual Contribution Percentage Test for Non-excludable Employees." This amount represents the anti-discrimination refunds payable at any given year-end. Anti-discrimination refunds payable to participants were \$385,615 and \$54,658 at December 31, 2013 and 2012, respectively.

SUPPLEMENTAL SCHEDULE

OLD REPUBLIC INTERNATIONAL  
CORPORATION  
EMPLOYEES SAVINGS AND STOCK  
OWNERSHIP PLAN  
FORM 5500-ANNUAL RETURN/REPORT OF EMPLOYEE  
BENEFIT PLAN  
SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END  
OF YEAR)  
DECEMBER 31, 2013  
EIN: 36-2678171 PLAN  
NUMBER-003

(b)	(c)			SHARES, PAR, OR MATURITY VALUE	(d)	(e)
	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, SHARES, PAR OR MATURITY VALUE	RATE OF INTEREST	COLLATERAL			
(a)*LESSOR, OR SIMILAR PARTY	MATURITY DATE	DIVIDENDS	COLLATERAL	VALUE	COST	CURRENT VALUE
MUTUAL FUNDS:						
BALANCED FUNDS:						
FIDELITY FUND	N/A	VARIABLE	N/A	343,277 sh	#	\$14,640,770
FIDELITY FREEDOM INCOME FUND	N/A	VARIABLE	N/A	211,675 sh	#	2,485,061
FIDELITY FREEDOM 2000 FUND	N/A	VARIABLE	N/A	82,152 sh	#	1,021,154
FIDELITY FREEDOM 2010 FUND	N/A	VARIABLE	N/A	560,607 sh	#	8,582,897
FIDELITY FREEDOM 2020 FUND	N/A	VARIABLE	N/A	1,624,001 sh	#	25,350,660
FIDELITY FREEDOM 2030 FUND	N/A	VARIABLE	N/A	749,115 sh	#	12,210,568
FIDELITY FREEDOM 2040 FUND	N/A	VARIABLE	N/A	730,027 sh	#	6,949,856
FIDELITY FREEDOM 2050 FUND	N/A	VARIABLE	N/A	144,189 sh	#	1,590,403
EQUITY FUNDS:						
FIDELITY EQUITY-INCOME FUND	N/A	VARIABLE	N/A	326,636 sh	#	19,173,527

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FIDELITY VALUE FUND	N/A	VARIABLE	N/A	200,222 sh	#	20,739,033
FIDELITY DIVERSIFIED INTERNATIONAL FUND	N/A	VARIABLE	N/A	485,199 sh	#	17,908,679
FIDELITY DIVIDEND GROWTH FUND	N/A	VARIABLE	N/A	675,165 sh	#	23,894,093
FIDELITY SMALL CAP INDEPENDENCE FUND	N/A	VARIABLE	N/A	208,760 sh	#	5,465,339
FIDELITY MID-CAP STOCK FUND	N/A	VARIABLE	N/A	437,419 sh	#	17,282,406
FIXED INCOME FUNDS:						
FIDELITY INVESTMENT GRADE BOND FUND	N/A	VARIABLE	N/A	807,075 sh	#	6,198,334
FIDELITY INTERMEDIATE TERM BOND FUND	N/A	VARIABLE	N/A	576,381 sh	#	6,242,207
FIDELITY CAPITAL & INCOME FUND	N/A	VARIABLE	N/A	1,263,125 sh	#	12,454,409
FIDELITY CASH RESERVES	N/A	VARIABLE	N/A	19,900,498 sh	A	19,900,498
FIDELITY SHORT-TERM BOND FUND	N/A	VARIABLE	N/A	1,350,121 sh	#	11,584,035
GROWTH FUND:						
FIDELITY AGGRESSIVE GROWTH FUND	N/A	VARIABLE	N/A	277,952 sh	#	7,921,625
INDEX FUNDS:						
SPARTAN 500 INDEX	N/A	VARIABLE	N/A	402,837 sh	#	26,381,790
INSTITUTIONAL SPARTAN EXTENDED MARKET INDEX FUND	N/A	VARIABLE	N/A	79,914 sh	#	4,269,025
SPARTAN INTERNATIONAL INDEX FUND	N/A	VARIABLE	N/A	86,580 sh	#	3,521,194
TOTAL						275,767,563
EMPLOYER SECURITIES:						
OLD REPUBLIC INTERNATIONAL CORPORATION COMMON STOCK:	N/A	N/A	N/A	374,906 sh	\$4,524,524	6,474,623

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PARTICIPANT DIRECTED							
NON-PARTICIPANT DIRECTED	N/A	N/A	N/A	11,109,008 sh	108,505,704	191,852,574	
UNALLOCATED	N/A	N/A	N/A	2,525,093 sh	23,003,590	43,608,356	
TOTAL				14,009,007 sh	\$136,033,818	241,935,553	
SHORT-TERM INVESTMENTS	N/A	N/A	N/A	1,143,945 sh	\$1,143,945	1,143,945	
TOTAL INVESTMENTS HELD							\$518,847,061

Notes:

\* All parties above are "Parties in Interest."

# Participant directed funds.

A Includes Non-Participant directed funds (125,296 shares with a cost and current value of \$125,296).