

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 24, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____
Commission file number 1-10542

UNIFI, INC.

(Exact name of registrant as specified in its charter)

New York
*(State or other jurisdiction of incorporation or
organization)*

11-2165495
(I.R.S. Employer Identification No.)

P.O. Box 19109 – 7201 West Friendly Avenue
Greensboro, NC
(Address of principal executive offices)

27419-9109
(Zip Code)

Registrant's telephone number, including area code:
(336) 294-4410

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

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange

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

None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

As of December 25, 2011, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was \$101,476,354. The registrant has no non-voting stock.

As of August 20, 2012, the number of shares of the Registrant's common stock outstanding was 20,090,094.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement to be filed with the Securities and Exchange Commission (the "SEC") in connection with the solicitation of proxies for the Annual Meeting of Shareholders of Unifi, Inc., to be held on October 24, 2012, are incorporated by reference into Part III. (With the exception of those portions which are specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed or incorporated by reference as part of this report.)

UNIFI, INC.
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Part I

	Page
Item 1. Business	3
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	15
Item 1C. Executive Officers of the Registrant	15
Item 2. Properties	15
Item 3. Legal Proceedings	16
Item 4. Mine Safety Disclosures	16

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	16
Item 6. Selected Financial Data	18
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A. Quantitative and Qualitative Disclosure About Market Risk	36
Item 8. Financial Statements and Supplementary Data	36
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	37
Item 9A. Controls and Procedures	37
Item 9B. Other Information	37

Part III

Item 10. Directors, Executive Officers, and Corporate Governance	37
Item 11. Executive Compensation	38
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	38
Item 13. Certain Relationships and Related Transactions, and Director Independence	38
Item 14. Principal Accounting Fees and Services	38

Part IV

Item 15. Exhibits and Financial Statement Schedules	39
Signatures	43

PART I

Fiscal Years

The Company's fiscal year ends on the last Sunday in June. However, the Company's Brazilian, Colombian, and Chinese subsidiaries' fiscal years end on June 30th. There were no significant transactions or events that have occurred between these dates and the date of the Company's financial statements.

Presentation

All dollar amounts and share amounts, except per share amounts, are presented in thousands, except as otherwise noted.

Item 1. Business

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, the "Company" or "Unifi") is a publicly-traded, multi-national manufacturing company. The Company processes and sells high-volume commodity products, specialized yarns designed to meet certain customer specifications, and premier value-added ("PVA") yarns with enhanced performance characteristics. The Company sells fibers made from polyester and nylon filament to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, hosiery, sock, home furnishing, automotive upholstery, industrial and other end-use markets. The Company's polyester yarn products include polyester polymer beads ("Chip"), partially oriented yarn ("POY"), textured, solution and package dyed, twisted and beamed yarns; each available in virgin or recycled varieties. The Company's nylon products include textured, solution dyed and covered spandex products. The Company maintains one of the industry's most comprehensive product offerings and has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States ("U.S."). The Company's principal markets are located in the U.S., Canada, Mexico, Central America, and South America. In addition, the Company has a wholly-owned subsidiary in the People's Republic of China ("China") focused on the sale and promotion of the Company's specialty and PVA products in the Asian textile market, primarily in China as well as into Europe.

The Company has three operating segments which are also its reportable segments. Each reportable segment derives its revenues as follows:

- The Polyester segment manufactures Chip, POY, textured, dyed, twisted and beamed yarns, virgin and recycled, with sales primarily to other yarn manufacturers, knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive upholstery, home furnishing, industrial and other end-use markets. The Polyester segment consists of manufacturing operations in the U.S. and El Salvador.
- The Nylon segment manufactures textured nylon and covered spandex yarns with sales to knitters and weavers that produce fabric for the apparel, hosiery, sock and other end-use markets. The Nylon segment consists of manufacturing operations in the U.S. and Colombia.
- The International segment's products primarily include textured polyester and various types of resale yarns. The International segment sells its yarns to knitters and weavers that produce fabric for the apparel, automotive upholstery, home furnishing, industrial and other end-use markets primarily in the South American and Asian regions. This segment includes manufacturing and sales offices in Brazil and a sales office in China.

Other information for the Company's reportable segments, including revenues, a measurement of profit or loss, and total assets by segment, is provided in "Footnote 28. Business Segment Information" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Recent Developments and Strategy

Deleveraging Strategy: During the June 2012 quarter, the Company successfully completed its comprehensive debt refinancing. The refinancing allowed the Company to extend the maturity profile of its indebtedness to May 2017 and will generate approximately \$9,000 of annual interest expense savings. In addition, the Company believes that this new financing will provide the availability and flexibility needed to execute its strategic objectives.

Raw Materials: Polyester raw material costs for fiscal year 2012 averaged 8 to 9 cents per pound higher than fiscal year 2011. Throughout most of fiscal year 2012, and for the latter half of fiscal year 2011, polyester raw material costs remained at their highest levels in over thirty years. In addition, Asian imported yarns have become more competitive and continued to place pressure on the Company's commodity business as the U.S.-Asia gap in polymer pricing averaged 11 to 12 cents per pound in fiscal year 2012 versus the 4 to 5 cents average per pound for the prior fiscal year period.

Inventory Destocking: The Company believes inventory in the U.S. apparel supply chain reached elevated levels during the first quarter of the Company's recently completed fiscal year, and producers and wholesalers reacted to the elevated inventory levels by curtailing purchases from August to December 2011. The Company reacted by adjusting its production below its sales levels in order to reduce its on-hand inventory units. As a result of the Company's actions, the production volume and per unit manufacturing costs in the Company's Polyester and Nylon segments were negatively impacted during the first half of fiscal 2012.

Inflation: For the most recently completed fiscal year and for the foreseeable future, the Company expects rising costs to continue in areas such as employee costs and benefits, consumables and utility costs. The Company attempts to mitigate the impacts of these rising costs through its operational efficiencies and increased selling prices. Inflation may become a factor that begins to negatively impact the Company's profitability.

Operational Excellence: Over the past year, the Company expanded its efforts in LEAN manufacturing and statistical process control in all of its operations. These efforts have resulted in demonstrated savings as well as greatly improved operational flexibility and are expected to result in continued improvement over the next several years.

PVA: The Company remains committed to growing the business for its value-added products and believes its research and development work with brands and retailers continues to create new, world-wide sales opportunities as the Company raises the visibility of REPREVE® as a consumer brand. The Company's PVA products represent approximately 18% of its consolidated sales volume and REPREVE® continues to grow at a faster pace than other PVA products. Throughout fiscal year 2012, domestic PVA sales volume increased versus the prior year and held stronger than the remainder of the business. Internationally, PVA sales volume was negatively impacted by weakened demand in Brazil and a temporary delay of orders from a large volume customer for the Company's Chinese sales office. In comparison to the levels at the end of fiscal year 2010, the Company is on pace to double its domestic PVA sales volumes within three years and its consolidated PVA sales volumes within four years.

Investment in Central America: The Central American Free Trade Agreement ("CAFTA") region, which continues to be a competitive alternative to Asian supply chains, has in recent years maintained its share of synthetic apparel supply to U.S. retailers and continues to see ongoing investments being made. During the past quarter, the Company has completed the installation of additional texturing capacity at its plant in El Salvador in order to take advantage of the long-term volume opportunities in this region.

Repreve Recycling Center: The recycling facility which opened in May 2011 allows the Company to expand the REPREVE® brand by increasing the amount and types of recyclable material that can be used in the manufacturing process and to develop and commercialize PVA products that meet the sustainability demands for brands and retailers.

Repreve Renewables, LLC: During the December 2011 quarter, the Company acquired an additional 20% membership interest in Repreve Renewables, LLC ("Renewables") bringing the Company's current ownership to 60%. The Company's investment in Renewables, a development stage company that focuses on cultivating and selling bio-mass crops for the bio-fuel and bio-power industries, is anticipated to provide the Company with a unique revenue stream and supports its strategy to grow the REPREVE® brand and other sustainability initiatives.

Industry Overview

Since 1980, global demand for polyester yarns, which includes both filament and staple yarns, has grown steadily, and in calendar year 2003, polyester replaced cotton as the fiber with the largest percentage of worldwide sales. In calendar year 2011, global polyester consumption accounted for an estimated 51% of global fiber consumption and demand is projected to increase by approximately 3% to 4% annually through 2020. In calendar year 2011, global nylon consumption accounted for an estimated 5% of global fiber consumption and demand is projected to increase by approximately 1% annually through 2020. The polyester and nylon fiber sectors together accounted for approximately 56% of U.S. textile consumption during calendar year 2011.

According to the National Council of Textile Organizations, the U.S. textile market's total shipments were \$53.3 billion for calendar year 2011. The industrial and consumer, floor covering, apparel and hosiery, and furnishing markets account for 43%, 34%, 15% and 8% of total production, respectively. During calendar year 2011, the U.S. textile sector exported more than \$17 billion of textile products, an increase of 13.4% versus the prior year period, and employed approximately 390,000 people making it one of the largest manufacturing employers in the U.S.

Rules of Origin

A significant number of the Company's customers, particularly in the apparel market, produce finished goods that meet the eligibility requirements for duty-free treatment in the regions covered by the North American Free Trade Agreement ("NAFTA"), CAFTA, and the Colombia and Peru Free Trade Agreements. The Company is the largest filament yarn manufacturer and one of the few producers of such qualifying yarns in the three regions covered by these agreements (collectively the "Regional FTAs") which contain rules of origin requirements. In order to be eligible for duty-free treatment, the garment, fabric, yarn (such as POY) and fibers (filament and staple) are generally required to be fully formed within the respective regions, each of which include production from the U.S.

Government legislation referred to as the Berry Amendment stipulates that certain purchases of textile and apparel articles made by the U.S. Department of Defense must be manufactured in the U.S. and consist of yarns and fibers produced in the U.S. Efforts are currently underway to expand this legislation to require other government programs such as the Department of Homeland Security to purchase U.S. origin textile products when available. The Company is the largest producer of such yarns for Berry Amendment compliant programs.

Collectively, the Company refers to fibers sold with specific rules of origin requirements under the Regional FTAs and fibers sold with rule of origin requirements under the Berry Amendment as "Compliant Yarns".

Trade Regulation

Over the last decade, imports of fabric and finished goods into the U.S. have increased significantly from countries who do not participate in free trade agreements or trade preference programs despite duties charged on those imports. The duty rate on finished apparel categories that utilize polyester and nylon filament yarns are generally 16% to 32%. The primary drivers for that growth were lower overseas operating costs, foreign government subsidizing of textile industries, increased overseas sourcing by U.S. retailers, the entry of China into the World Trade Organization and the staged elimination of all textile and apparel quotas. Although global apparel imports represent a significant percentage of the U.S. market, Regional FTAs, which allow duty free advantages for apparel made from regional fibers, yarns and fabrics, allow the Company opportunities to participate in this growing market.

In calendar year 2000, 56% of the garments purchased in the U.S. were produced in the North and Central American regions. By calendar year 2009, approximately 18% of the garments purchased at U.S. retail were produced in these regions. In the last four years, the garment market share has stabilized in these regions and has begun to grow on a unit basis based on synthetic apparel consumption. This recent trend supports the Company's view that the remaining synthetic apparel production in the regions is more specialized and defensible, and, in some cases, apparel producers are bringing programs back to the region as a part of a balanced sourcing strategy of some retailers and brands.

NAFTA is a permanent FTA between the U.S., Canada and Mexico that became effective on January 1, 1994. The agreement contains certain rules of origin for textile and apparel products that must be met for these products to receive duty-free benefits under NAFTA. In general, textile and apparel products must be produced from yarns and fabrics made in the NAFTA region, and all subsequent processing must occur in the NAFTA region to receive duty-free treatment.

Implementation of CAFTA began in 2006, between the U.S., the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. CAFTA supersedes the Caribbean Basin Trade Preference Agreement ("CBTPA") for the CAFTA signatory countries and provides permanent benefits not only for apparel produced in the region, but for all textile products that meet the rules of origin. Qualifying textile and apparel products that are produced in any of the seven signatory countries from fabric, yarn and fibers that are also produced in any of the seven signatory countries may be imported into the U.S. duty free.

In August 2012, legislation was passed to correct a number of technical errors in CAFTA, including a requirement that single ply synthetic sewing thread must originate from one of the signatory countries. This measure, expected to be fully implemented in the fall of 2012, is expected to have a favorable impact on the Company's twisted yarn business, as the Company will be one of the largest suppliers of twisted yarns eligible to be used in these sewing thread applications.

The U.S.-Peru Trade Promotion Agreement became effective in February 2009, and the U.S.-Colombia Trade Promotion Agreement was implemented on May 15, 2012. These free trade pacts replaced the Andean Trade Promotion and Drug Eradication Act ("ATPDEA") in these markets and established, primarily, the same yarn forward rules of origin for textile and apparel products as NAFTA.

Additionally, the Company operates under FTA's with Australia, Bahrain, Chile, Israel, Jordan, Morocco, Oman, Singapore and South Korea. The U.S.-South Korean FTA became effective on March 15, 2012. The Company anticipates limited impact on its business as South Korea is not a low cost provider of textiles in comparison to other Asian countries and South Korea provides little or no export opportunities for the Company or for U.S. textile manufacturers. The Company believes that a potential threat exists due to the agreement's failure to address the potential damage from the lack of strong customs enforcement language and the exposure of illegal transshipments from China through South Korea.

Although quotas on textiles and apparel imports were eliminated after December 31, 2008, tariffs on certain imported products remain in effect. The Doha Development Round is the current trade-negotiation round of the World Trade Organization which commenced in November 2001 with the objective to further lower trade barriers around the world. Over recent years, negotiations have stalled over a divide on major issues, such as agriculture, industrial tariffs and non-tariff barriers, services, and other trade remedies with the most significant differences between developed nations and emerging countries. There is also considerable contention regarding the maintenance of agricultural subsidies—which can be seen to operate effectively as a trade barrier. No significant progress has been made from the negotiations held in recent years and the future of the Doha Development Round remains uncertain.

During 2012, numerous rounds of negotiations have been held to forge a new TransPacific Partnership Agreement ("TPP"). Countries currently participating in the TPP negotiations include Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam, with Mexico and Canada recently announcing their intentions to join. The U.S. government has presented a yarn forward rule of origin; however, negotiations for market access and rules of origin for textiles and apparel have not been completed.

The Company believes the requirements of the rules of origin and the associated duty-free cost advantages in the regional free trade agreements, such as NAFTA and CAFTA, together with the Berry Amendment and the growing need for quick response and inventory turns, ensures that a portion of the existing textile industry will remain based in the America regions. The Company expects that the NAFTA and CAFTA regions will continue to increase their percentage of the U.S. market. The Company is the largest of only a few significant producers of Compliant Yarn under these trade agreements. As a result, one of the Company's business strategies is to leverage its eligibility status to increase its share of business with regional and domestic fabric producers who ship their products into these regions for further duty free processing.



Approximately 62% of the Company's sales are sold as Compliant Yarn under the terms of FTA's or the Berry Amendment.

Markets

The Company serves diverse market segments. The apparel market, which includes hosiery, represents approximately 65% of the Company's sales. Apparel retail sales, supply chain inventory levels and strength of the regional supply base are vital to this market segment. Generally, synthetic apparel consumed in the U.S. grows 4% per year and, over the last four years, the Regional FTA share of supply of U.S. synthetic apparel has remained constant at 18%.

The industrial market represents approximately 17% of the Company's sales. This market includes medical, belting, tapes, filtration, ropes, protective fabrics, awnings, etc.

The furnishing market, which includes both contract and home furnishing, represents approximately 12% of the Company's sales. Furnishing sales are dependent upon the housing market, which in turn is influenced by consumer confidence and credit availability.

The automotive upholstery market represents approximately 6% of the Company's sales and has been less susceptible to import penetration because of the exacting specifications and quality requirements often imposed on manufacturers of automotive upholstery and the just-in-time delivery requirements. Effective customer service and prompt response to customer feedback are logistically more difficult for an importer to provide. North American automotive production during calendar year 2011 grew 11% over calendar year 2010 and an additional 22% during the first half of calendar year 2012 compared to the prior year comparable period.

Competition

The industry in which the Company currently operates is global and highly competitive. On a global basis, the Company competes not only as a yarn producer but also as part of a regional supply chain. For Compliant Yarns, the Company competes with a limited number of foreign and domestic producers of polyester and nylon yarns. For non-Compliant Yarns, the Company competes with a certain number of foreign and domestic producers of polyester and nylon yarns, who can meet the required customer specifications of quality, reliability and timeliness. While competitors have traditionally focused on commodity production, they are now increasingly focused on specialty and value-added products where the Company generates higher margins. The Company is affected by the importation of textile, apparel and hosiery products which adversely impacts demand for polyester and nylon yarns in the Company's markets. Several foreign competitors in the Company's supply chain have significant competitive advantages, including lower wages, raw material costs, capital costs, and favorable currency exchange rates against the U.S. dollar which could make the Company's products, or the related supply chains, less competitive.

The major regional competitors for polyester yarns are O'Mara, Inc., and NanYa Plastics Corp. of America ("NanYa") in the U.S., AKRA, S.A. de C.V. in the NAFTA region, and C S Central America S.A. de C.V. ("CS Central America") in the CAFTA region. The Company's major competitors in Brazil are Avanti Industria Comercio Importacao e Exportacao Ltda., Polyenka Ltda., and other imported yarns and fibers. The major regional competitors for nylon yarns are Sapona Manufacturing Company, Inc., and McMichael Mills, Inc. in the U.S. and Worldtex, Inc. in the ATPDEA region.

Products

The Company manufactures polyester related products in the U.S., El Salvador and Brazil and nylon yarns in the U.S. and Colombia for a wide range of end-uses. In addition, the Company purchases certain yarns for resale to its customers. The Company processes and sells POY, as well as high-volume commodity, specialty, and PVA yarns, domestically and internationally, with PVA yarns making up approximately 18%, 17%, and 15% of consolidated sales for fiscal years 2012, 2011 and 2010, respectively.

The Company works closely with its customers to develop yarns using a research and development staff that evaluates trends and uses the latest technology to create innovative specialty and PVA yarns reflecting current consumer preferences. The Company also adds value to the supply chain and increases consumer demand for its products through the development and introduction of branded yarns that provide unique sustainability, performance, comfort and aesthetic advantages. The Company's branded portion of its yarn portfolio continues to provide product differentiation to brands, retailers and consumers and includes products such as:

- REPREVE®, a family of eco-friendly yarns made from recycled materials. Since its introduction in 2006, REPREVE ® has been the Company's most successful branded product. The Company's recycled performance fibers are manufactured to provide certain performance and/or functional properties to various types of fabrics and end products. REPREVE ® can be found in many well-known brands and retailers including Ford, Haggar, Life Khaki, Polartec, The North Face, Patagonia, REI, Perry Ellis, Home Depot, Sears, Macy's, Kohl's, Greg Norman and Belk department stores. Recent REPREVE ® press mentions include USA Today, the Wall Street Journal and People Style Watch.
- aio® all-in-one performance yarns combine multiple performance properties into a single yarn. aio® is being used by brands MJ Soffe and New Balance for several U.S. military apparel products.

- Sorbtek®, a permanent moisture management yarn primarily used in performance base layer applications, compression apparel, athletic bras, sports apparel, socks and other non-apparel related items. Sorbtek® can be found in many well-known apparel brands, including Adidas and Asics, and is also used by MJ Soffe and New Balance for the U.S. military.
- A.M.Y.®, a yarn with permanent antimicrobial properties for odor control. A.M.Y.® is being used by MJ Soffe and New Balance for the U.S. military.
- Reflexx®, a family of stretch yarns that can be found in a wide array of end-use applications from home furnishing to performance wear and from hosiery and socks to work wear and denim. Reflexx® can be found in many products including those used by the U.S. military.

For fiscal years 2012, 2011 and 2010, the Company incurred \$4,764, \$4,145, and \$3,591 for research and development costs, respectively.

Customers

The Company's Polyester segment has approximately 420 customers, its Nylon segment has approximately 170 customers, and its International segment has approximately 600 customers in a variety of geographic markets. Yarn is manufactured based upon product specifications and shipped based upon customer order requirements. Customer payment terms are generally consistent across the segments and are based on prevailing industry practices for the sale of yarn domestically or internationally.

The Company's sales are not materially dependent on a single customer or a small group of customers with no single customer comprising greater than ten percent of consolidated net sales. The Company's top ten customers accounted for approximately 32% of sales for fiscal year 2012 and 36% of receivables as of June 24, 2012.

Sales and Marketing

The Company employs a sales force of approximately forty persons operating out of sales offices in the U.S., Brazil, China, El Salvador and Colombia. The Company relies on independent sales agents for sales in several other countries. The Company seeks to create strong customer relationships and continually seeks ways to build and strengthen those relationships throughout the supply chain. Through frequent communications with customers, partnering with customers in product development and engaging key downstream brands and retailers, the Company has created significant pull-through sales and brand recognition for its products. For example, the Company works with brands and retailers to educate and create demand for its value-added products. The Company then works with key fabric mill partners to develop specific fabric for those brands and retailers utilizing its PVA products. Based on the results of many commercial and branded programs, this strategy has been successful for the Company.

Suppliers and Sourcing

The primary raw material supplier for the Polyester segment is NanYa for Chip and POY. For the International segment, Reliance Industries, Ltd ("Reliance") is the main supplier for POY. The primary suppliers of POY to the Nylon segment are HN Fibers, Ltd., U.N.F. Industries Ltd. ("UNF"), UNF America, LLC ("UNF America"), Invista S.a.r.l. ("INVISTA"), Universal Premier Fibers, LLC, and Nilit US ("Nilit"). Currently, there are numerous domestic suppliers available to fulfill the Company's sourcing requirements for its recycled products. UNF and UNF America are 50/50 joint ventures between the Company and Nilit. The Company produces and buys certain of its compliant raw material fibers from both the U.S. and Israel. The Company produces a portion of its Chip requirements in its recycling center and purchases the remainder of its requirements from external suppliers for use in its spinning facility. In the U.S., Brazil and China, the Company purchases nylon and polyester resale products from various suppliers. Although the Company does not generally have difficulty in obtaining raw nylon POY or raw polyester POY, the Company has in the past experienced interruptions or limitations in the supply of polyester Chip and other raw materials used to manufacture polyester POY.

Manufacturing Processes

The Company uses advanced production processes to manufacture its high quality yarns cost effectively. The Company believes that its flexibility and know-how in producing specialty yarns provides important development and commercialization advantages. The Company produces polyester POY for its commodity, specialty and PVA yarns in its polyester spinning facility located in Yadkinville, North Carolina. The POY yarns can be sold externally or further processed internally. Additional processing of polyester products includes texturing, package dyeing, twisting and beaming. The texturing process, which is common to both polyester and nylon, involves the use of high-speed machines to draw, heat and false-twist the POY to produce yarn having various physical characteristics, depending on its ultimate end-use. Texturing gives the yarn greater bulk, strength, stretch, consistent dye-ability and a softer feel, thereby making it suitable for use in the knitting and weaving of fabric. Package dyeing allows for matching of customer specific color requirements for yarns sold into the automotive, home furnishing and apparel markets. Twisting incorporates real twist into the filament yarns which can be sold for such uses as sewing thread, home furnishing and apparel. Beaming places both textured and covered yarns onto beams to be used by customers in warp knitting and weaving applications. Additional processing of nylon products primarily includes covering which involves the wrapping or air entangling of filament or spun yarn around a core yarn. This process enhances a fabric's ability to stretch, recover its original shape and resist wrinkles while maintaining a softer feel.

In 2011, the Company opened a new recycle Chip facility in Yadkinville, North Carolina increasing its investment in the commercialization of recycled PVA products. This facility allows the Company to improve the availability of recycled raw materials and significantly increase product capabilities and competitiveness in the growing market for REPREVE®.

Employees

The Company employs approximately 2,600 employees. The number of employees in the Polyester segment, Nylon segment, International segment and its corporate office are approximately 1,400, 600, 500 and 100, respectively. While employees of the Company's foreign operations are generally unionized, none of the domestic employees are currently covered by collective bargaining agreements.

Backlog

The level of unfilled orders is affected by many factors including the timing of orders and the delivery time for the specific products, as well as the customer's ability or inability to cancel the related order. As such, the Company does not consider the amount of unfilled orders, or backlog, to be a meaningful indicator of expected levels of future sales.

Seasonality

Generally, the Company is not significantly impacted by seasonality. Excluding the effects of fiscal years with fifty three operating weeks, the most significant effects on the Company's results of operations are due to the periods in which either the Company or its customers take planned manufacturing shutdowns during traditional holiday and plant shutdown periods.

Inflation

The Company expects rising costs to continue for the consumables that it uses to produce and ship its products, as well as for its utilities and certain employee and medical costs. While the Company attempts to mitigate these rising costs through its operational efficiencies and/or increased selling prices, inflation may become a factor that begins to negatively impact the Company's profitability.

Intellectual Property

The Company licenses certain trademarks, including Dacron® and Softec™ from INVISTA. The Company has thirty-four U.S. registered trademarks. Due to its current brand recognition and potential growth opportunities, the Company believes that REPREVE® is its most significant trademark. Ownership rights in trademarks do not expire if the trademarks are continued in use and properly protected. Renewables also has a global, exclusive license to the proprietary biomass variety, FREEDOM® Giant Miscanthus, developed by Mississippi State University.

Environmental Matters

The Company is subject to various federal, state and local environmental laws and regulations limiting the use, storage, handling, release, discharge and disposal of a variety of hazardous substances and wastes used in or resulting from its operations and potential remediation obligations thereunder, particularly the Federal Water Pollution Control Act, the Clean Air Act, the Resource Conservation and Recovery Act (including provisions relating to underground storage tanks) and the Comprehensive Environmental Response, Compensation, and Liability Act, commonly referred to as "Superfund" or "CERCLA" and various state counterparts. The Company believes that it has obtained, and is in compliance in all material respects with, all significant permits required to be issued by federal, state or local law in connection with the operation of its business.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, principally the Occupational Safety and Health Act and regulations thereunder which, among other things, establish exposure standards regarding hazardous materials and noise standards, and regulate the use of hazardous chemicals in the workplace.

The Company believes that the operation of its production facilities and the disposal of waste materials are substantially in compliance with applicable federal, state and local laws and regulations and that there are no material ongoing or anticipated capital expenditures associated with environmental control facilities necessary to remain in compliance with such provisions. The Company incurs normal operating costs associated with the discharge of materials into the environment but does not believe that these costs are material or inconsistent with other domestic competitors.

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA. The land for the Kinston site was leased pursuant to a 99 year ground lease ("Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency ("EPA") and the North Carolina Department of Environment and Natural Resources ("DENR") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont. This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site. However, the Company continues to own a satellite service facility acquired in the INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.



Geographic Data

Geographic information for net sales is as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
U.S.	\$ 515,522	\$ 502,255	\$ 463,222
Brazil	125,737	144,669	130,663
All Other Foreign	63,827	65,888	28,733
Total	<u>\$ 705,086</u>	<u>\$ 712,812</u>	<u>\$ 622,618</u>

The geographic information for net sales is based on the operating locations from where the items were produced or distributed. Export sales from the Company's U.S. operations to external customers were \$84,558, \$82,944 and \$94,255 for the fiscal years ended June 24, 2012, June 26, 2011 and June 27, 2010, respectively.

Geographic information for long-lived assets is as follows:

	June 24, 2012	June 26, 2011	June 27, 2010
	U.S.	\$ 215,910	\$ 229,170
Brazil	19,121	27,918	22,732
All Other Foreign	7,915	6,219	5,753
Total	<u>\$ 242,946</u>	<u>\$ 263,307</u>	<u>\$ 251,782</u>

The geographic information for long-lived assets is comprised of property, plant and equipment, net, certain intangible and other non-current assets.

Joint Ventures

The Company participates in joint ventures in the U.S. and in Israel. Two of the joint ventures are suppliers to the Company's Nylon segment. One is an ongoing investment in a domestic cotton and synthetic spun yarn manufacturer. As of June 24, 2012, the Company had \$95,763 invested in these unconsolidated affiliates. For fiscal year 2012, \$19,740 of the Company's \$8,849 income before income taxes was generated from its investments in these unconsolidated affiliates. Other information regarding the Company's unconsolidated affiliates is provided within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 as well as in "Footnote 24. Investments in Unconsolidated Affiliates and Variable Interest Entities" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Available Information

The Company's Internet address is: www.unifi.com. Copies of the Company's reports, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, that the Company files with or furnishes to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and beneficial ownership reports on Forms 3, 4, and 5, are available as soon as practicable after such material is electronically filed with or furnished to the SEC and may be obtained without charge by accessing the Company's web site or by writing Mr. Ronald L. Smith at Unifi, Inc. P.O. Box 19109, Greensboro, North Carolina 27419-9109.

Item 1A. Risk Factors

In the course of conducting operations, the Company is exposed to a variety of risks that are inherent to its business. The following discusses some of the key inherent risk factors that could affect the Company's business and operations, as well as other risk factors which are particularly relevant to the Company. Other factors besides those discussed below or elsewhere in this report could also adversely affect the Company's business and operations, and these risk factors should not be considered a complete list of potential risks that may affect the Company. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K for further discussion of forward-looking statements about the Company's financial condition and results of operations.

The Company faces intense competition from a number of domestic and foreign yarn producers and importers of textile and apparel products.

The Company competes not only against domestic and foreign yarn producers, but also against importers of foreign sourced fabric and apparel into the U.S. and other countries in which the Company does business. The Company anticipates that competitor expansions or new competition within these regions may lead to reduced industry utilization rates that could result in reduced gross profit margins for the Company's products, which may materially adversely affect its business, financial condition, results of operations or cash flows.

The primary competitive factors in the textile industry include price, quality, product styling and differentiation, flexibility of production and finishing, delivery time and customer service. The needs of particular customers and the characteristics of particular products determine the relative importance of these various factors. Because the Company, and the supply chains in which the Company operates, do not typically operate on the basis of long-term contracts with textile and apparel customers, these competitive factors could cause the Company's customers to rapidly shift to other producers. A large number of the Company's foreign competitors have significant competitive advantages, including lower labor costs, lower raw materials, government subsidies, and favorable currency exchange rates against the U.S. dollar. If any of these advantages increase, the Company's products could become less competitive, and its sales and profits may decrease as a result. In addition, while traditionally these foreign competitors have focused on commodity production, they are now increasingly focused on value-added products, where the Company continues to generate higher margins. The Company, and the supply chains in which the Company operates, may not be able to continue to compete effectively with imported foreign-made textile and apparel products, which would materially adversely affect its business, financial condition, results of operations or cash flows.

In Brazil, Petrosuape-Companhia Petroquimica de Pernambuco ("Petrosuape"), a subsidiary of Petrobras Petroleo Brasileiro S.A., a public oil company controlled by the Brazilian government, is constructing a polyester manufacturing complex located in the northeast sector of the country. Petrosuape will produce PTA, polyethylene terephthalate ("PET") resin, POY and textured polyester. Once fully operational, the textured polyester operations of Petrosuape will most likely be a significant competitor as the textured polyester operations of Petrosuape are expected to have approximately twice the capacity of the Company's subsidiary Unifi do Brasil. Petrosuape's textured polyester operation started limited production in July 2010 and is expected to be in full commercial production by late 2014. Such significant capacity expansion may negatively affect the utilization rate of the synthetic textile filament market in Brazil, thereby negatively impacting the operating results of Unifi do Brasil.

An increase of illegal transshipments of textile and apparel goods into the U.S. could have a material adverse effect on the Company's business.

According to industry experts and trade associations, there has been a significant amount of illegal transshipments of apparel products into the U.S. and such illegal transshipments continue to negatively impact the U.S. textile market. Illegal transshipment involves circumventing duties by falsely claiming that textiles and apparel are a product of a particular country of origin or include yarn of a particular country of origin to avoid paying higher duties or to receive benefits from regional free trade agreements, such as NAFTA and CAFTA. If illegal transshipments are not monitored and enforcement is not effective, these shipments could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

As product demand flow shifts from a region or within a region the Company could lose its cost competitiveness due to the location of its assets.

The Company's Polyester segment primarily manufactures its products in the U.S. and El Salvador. The Company's Nylon segment primarily manufactures its products in the U.S. and Colombia. The Company's International segment primarily manufactures its products in Brazil and has a sales office in China. As product demand flow shifts from specific regions or within the regions in which the Company does business, it could lose its cost competitiveness due to the location of its assets. The Company's operations may incur higher manufacturing, transportation and/or raw material costs in its present operating locations than it could achieve should its operations be located in these new product demand centers. This could adversely affect the competitiveness of the Company's operations and have a material adverse effect on its business, financial condition, results of operations or cash flows.

Changes in the trade regulatory environment could weaken the Company's competitive position dramatically and have a material adverse effect on its business, financial condition, results of operations or cash flows.

A number of sectors of the textile industry in which the Company sells its products, particularly apparel, hosiery and home furnishings, are subject to intense foreign competition. Other sectors of the textile industry in which the Company sells its products may in the future become subject to more intense foreign competition. There are currently a number of trade regulations and duties in place to protect the U.S. textile industry against competition from low-priced foreign producers, such as those in China and Vietnam. Changes in such trade regulations and duties may make the Company's products less attractive from a price standpoint than the goods of its competitors or the finished apparel products of a competitor in the supply chain, which could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows. In addition, increased foreign capacity and imports that compete directly with the Company's products could have a similar effect. Furthermore, one of the Company's key business strategies is to expand the Company's business within countries that are parties to free trade agreements with the U.S. Any relaxation of duties or other trade protections with respect to countries that are not parties to those free trade agreements could therefore decrease the importance of the trade agreements and have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

During 2012, the U.S. government has engaged in numerous rounds of negotiations to forge a new TransPacific Partnership Agreement (“TPP”). Countries currently participating in the TPP negotiations include Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam, with Mexico and Canada recently announcing their intention to join TPP. Immediate duty-free treatment or the lack of a yarn forward rule of origin in the final TPP could adversely affect the U.S. textile and apparel industries and Western Hemisphere supply chains. In addition, increased transshipments and the lack of strong customs enforcement could further reduce the cost of foreign made products in the U.S. and result in a TPP that could adversely affect the competitiveness of the Company’s products.

The Company will require a significant amount of cash to service its indebtedness, fund capital expenditures and strategic initiatives, and continue to execute its deleveraging strategy, and its ability to generate cash depends on many factors beyond its control.

The Company’s principal sources of liquidity are cash flows generated from operations and borrowings under its \$150,000 senior secured credit facility (the “ABL Facility”) and a secured term loan in the initial aggregate principal amount of \$30,000 (“Term B Loan”). The ABL Facility consists of a \$100,000 revolving credit facility (the “ABL Revolver”) and a \$50,000 term loan (“ABL Term Loan”). The Company’s ability to make payments on its indebtedness, to fund planned capital expenditures and its strategic initiatives, as well as to execute its strategy to further reduce its outstanding indebtedness, will depend on its ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

The business may not generate cash flows from operations, and future borrowings may not be available to the Company in an amount sufficient to enable the Company to pay its indebtedness and to fund its other liquidity needs. If the Company is not able to generate sufficient cash flow or borrowings, the Company may need to refinance or restructure all or a portion of its indebtedness on or before maturity, reduce or delay strategic initiatives or the planned reduction of its outstanding indebtedness, or seek to raise additional capital. The Company may not be able to implement one or more of these alternatives on terms that are acceptable or at all. The terms of its existing or future debt agreements may restrict the Company from adopting any of these alternatives. The failure to generate sufficient cash flows or to achieve any of these alternatives could adversely affect the Company’s financial condition. For additional information regarding the ABL Facility and Term B Loan, see “Footnote 12. Long-Term Debt” to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

The Company’s substantial level of indebtedness could adversely affect its financial condition or restrict its ability to pursue certain business opportunities and take certain action.

The Company currently maintains, and plans to maintain, outstanding balances under its ABL Facility and Term B Loan. The terms of the Company’s outstanding indebtedness impose significant operating and financial restrictions on the Company. These restrictions could limit or prohibit, among other things, its ability to:

- incur and guarantee indebtedness or issue preferred stock;
- repay subordinated indebtedness prior to its stated maturity;
- pay dividends or make other distributions on or redeem or repurchase the Company’s stock;
- issue certain capital stock;
- make certain investments or acquisitions;
- create liens;
- sell certain assets or merge with or into other companies;
- enter into certain transactions with stockholders and affiliates; and
- restrict dividends, distributions, loans or other payments from its subsidiaries.

These restrictions, in turn, could have important consequences to the Company’s operations, including:

- the restrictions imposed on the operation of its business may hinder its ability to take advantage of strategic opportunities to grow its business;
- the Company’s ability to obtain additional debt or equity financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- the Company must use a substantial portion of its cash flow from operations to pay interest on its indebtedness, which will reduce the funds available to the Company for operations and other purposes;
- the Company’s high level of indebtedness could place the Company at a competitive disadvantage compared to its competitors that may have proportionately less debt;
- it may be exposed to the risk of increased interest rates as certain of its borrowings, including borrowings under its ABL Facility and Term B Loan, are at variable rates of interest;
- its cost of borrowing may increase;
- its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates may be limited; and
- its high level of indebtedness makes the Company more vulnerable to economic downturns and adverse developments in its business.

Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, prospects and ability to satisfy its obligations under its indebtedness.

The Company's deleveraging strategy could result in the Company maintaining balances outstanding under its ABL Facility and decrease the Company's excess borrowing availability, which could adversely affect the Company's financial condition and prevent it from fulfilling its obligations under its debt agreements.

On an ongoing basis, the Company anticipates utilizing its liquidity to continue to reduce borrowings under its ABL Facility and Term B Loan. The Company expects to maintain a continuous balance outstanding under the ABL Facility and to hedge a substantial amount of the interest rate risk in order to ensure its interest savings as it executes its deleveraging strategy.

The Company's ABL Facility and Term B Loan require the Company to meet a minimum fixed charge coverage ratio test if excess availability under the ABL Revolver falls below the greater of \$10,000 or 15% of maximum availability. The execution of the Company's May 2012 debt refinancing and the continuation of its deleveraging strategy may result in the Company maintaining reduced levels of excess availability under the ABL Facility, but the Company does not expect that the amount of borrowing will be to an extent that the fixed charge coverage ratio test applies. If the Company's availability under the ABL Revolver falls below the greater of \$10,000 or 15% of maximum availability, it may not be able to maintain the required fixed charge coverage ratio. Additionally, the ABL Facility restricts the Company's ability to make certain distributions and investments should its borrowing capacity fall below certain thresholds. These restrictions could limit the Company's ability to plan for or react to market conditions or meet its capital needs. The Company may not be granted waivers or amendments to its ABL Facility (or Term B Loan) if for any reason the Company is unable to meet its requirements.

The breach of any of these covenants or restrictions could result in a default under the ABL Facility and Term B Loan. An event of default under its debt agreements would permit some of its lenders to declare all amounts borrowed from them to be due and payable. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under its ABL Facility or Term B Loan would permit the Company's lenders to terminate all commitments to extend further credit under the ABL Facility. Furthermore, if the Company was unable to repay the amounts due and payable under its ABL Facility or Term B Loan, those lenders could proceed against the collateral granted to them to secure that indebtedness and force the Company into bankruptcy or liquidation. In the event its lenders accelerate the repayment of its borrowings, the Company and its guarantor subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, the Company may be:

- limited in how it conducts its business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

The significant price volatility of many of the Company's raw materials and rising energy costs may result in increased production costs, which the Company may not be able to pass on to its customers, which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

A significant portion of the Company's raw materials and energy costs are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products and energy costs are volatile and dependent on global supply and demand dynamics, including geo-political risks. Additionally, inflation can have a long-term impact as increasing costs of materials, labor and other costs such as utilities and fuel may impact the Company's ability to maintain satisfactory margins. While the Company enters into raw material supply agreements from time to time, these agreements typically provide index pricing based on quoted feedstock market prices. Therefore, supply agreements provide only limited protection against price volatility. While the Company has at times in the past matched cost increases with corresponding product price increases, the Company has not always been able to immediately raise product prices, and, ultimately, pass on underlying cost increases to its customers. The Company has in the past lost and expects that it may continue to lose, customers to its competitors as a result of price increases. In addition, its competitors may be able to obtain raw materials at a lower cost due to market regulations that favor local producers, and certain other market regulations that favor the Company over other producers may be amended or repealed. Additional raw material and energy cost increases as well as increases due to inflation that the Company is not able to fully pass on to customers or the loss of a large number of customers to competitors as a result of price increases could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company depends upon limited sources for raw materials, and interruptions in supply could increase its costs of production and cause its operations to suffer.

The Company depends on a limited number of third parties for certain raw material supplies, such as POY and Chip. Although alternative sources of raw materials exist, the Company may not continue to be able to obtain adequate supplies of such materials on acceptable terms, or at all, from other sources. The Company is dependent on NAFTA and CAFTA qualified suppliers of POY which in the future may experience interruptions or limitations in the supply of its raw materials, which would increase its product costs and could have a material adverse effect on its business, financial condition, results of operations or cash flows. These POY suppliers are also at risk with their raw material supply chains. Any disruption or curtailment in the supply of any of its raw materials could cause the Company to reduce or cease its production in general or require the Company to increase its pricing, which could have a material adverse effect on its business, financial condition, and results of operations or cash flows.

The Company is currently implementing various strategic business initiatives, and the success of the Company's business will depend on its ability to effectively develop and implement these initiatives.

The Company is currently developing and implementing various strategic business initiatives to improve the Company's competitive advantage and profitability and enhance shareholder value. These initiatives include the Company's deleveraging strategy, expanding branded PVA yarns and increasing the market penetration of REPVEVE® product offerings. The development and implementation of these initiatives requires financial and management commitments outside of day-to-day operations. These commitments could have a significant impact on the Company's operations and profitability, particularly if the initiatives prove to be unsuccessful. Moreover, if the Company is unable to implement an initiative in a timely manner, or if those initiatives turn out to be ineffective or are executed improperly, the Company's business, financial condition, results of operations or cash flows could be adversely affected.

Failure to modernize the Company's facilities and fund capital expenditure requirements could have a material adverse effect on the Company's competitive position and net sales.

The Company's operating results depend to a significant extent on its ability to continue to introduce innovative products and applications and to continue to develop its production processes to be a competitive producer. Accordingly, to maintain its competitive position and its revenue base, the Company must continually modernize its manufacturing processes, plants and equipment. To the extent sources of funds are insufficient to meet its ongoing capital improvement requirements, the Company would need to seek alternative sources of financing or curtail or delay capital spending plans. The Company may not be able to obtain the necessary financing when needed or on terms acceptable to the Company. If the Company fails to make future capital improvements necessary to continue the modernization of its manufacturing operations and the reduction of its costs, its competitive position may suffer, and its net sales may decline.

A decline in general economic or political conditions and changes in consumer spending could cause the Company's sales and profits to decline.

The Company's products are used in the production of fabric primarily for the apparel, hosiery, home furnishing, automotive, industrial and other similar end-use markets. Demand for furniture and durable goods, such as automobiles, is often affected significantly by economic conditions. Demand for a number of categories of apparel also tends to be tied to economic cycles and customer preference. Domestic demand for textile products therefore tends to vary with the business cycles of the U.S. economy, as well as changes in global trade flows, and economic and political conditions.

The Company has significant foreign operations and its results of operations may be adversely affected by the risks associated with doing business in foreign locations.

The Company has operations in Brazil, China, Colombia and El Salvador and participates in a joint venture in Israel. The Company serves customers in Canada, Mexico, Israel and various countries in Europe, Central America, South America, Africa, and Asia. The Company's foreign operations are subject to certain political, tax, economic and other uncertainties not encountered by its domestic operations that can materially impact the Company's supply chains, or other aspects of its foreign operations. The risks of international operations include trade barriers, duties, exchange controls, national and regional labor strikes, social and political unrest, general economic risks, required compliance with a variety of foreign laws, including tax laws, the difficulty of enforcing agreements and collecting receivables through foreign legal systems, taxes on distributions or deemed distributions to the Company or any of its U.S. subsidiaries, maintenance of minimum capital requirements and import and export controls. If the Company is unable to react favorably to any of these changing conditions, the Company's results of operations and business could be adversely affected.

Through its foreign operations, the Company is also exposed to currency fluctuations and exchange rate risks. Fluctuations in foreign exchange rates will impact period-to-period comparisons of its reported results. Additionally, the Company operates in countries with foreign exchange controls. These controls may limit its ability to repatriate funds from its international operations and joint ventures or otherwise convert local currencies into U.S. dollars. These limitations could adversely affect the Company's ability to access cash from these operations.

As a result of recent legislation in Brazil, Unifi do Brasil is expected to lose some or all economic incentives related to the purchase of imported yarn. If Unifi do Brasil is unable to make up for the loss of these incentives through increases in its local manufacturing business, price increases and/or efficiency gains, this could have a material adverse effect on Unifi do Brasil's and/or the Company's business, financial condition, results of operations or cash flows.

The success of the Company depends on the ability of its senior management team, as well as the Company's ability to attract and retain key personnel.

The Company's success is highly dependent on the abilities of its management team. The management team must be able to effectively work together to successfully conduct the Company's current operations, as well as implement the Company's strategies. The Company currently does not have any employment agreements with its corporate officers and cannot assure investors that any of these individuals will remain with the Company. The Company currently does not have life insurance policies on any of the members of the senior management team. The failure to retain current key managers or key members of the design, product development, manufacturing, merchandising or marketing staff, or to hire additional qualified personnel for its operations could be detrimental to the Company's operations and ability to execute its strategic business initiatives.

Unforeseen or recurring operational problems at any of the Company's facilities may cause significant lost production, which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company's manufacturing processes could be affected by operational problems that could impair its production capability. Disruptions at any of its facilities could be caused by maintenance outages; prolonged power failures or reductions; a breakdown, failure or substandard performance of any of its equipment; the effect of noncompliance with material environmental requirements or permits; disruptions in the transportation infrastructure, including railroad tracks, bridges, tunnels or roads; fires, floods, earthquakes or other catastrophic disasters; labor difficulties; or other operational problems. Any prolonged disruption in operations at any of its facilities could cause significant lost production, which would have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Economic Adjustment Assistance to Users of Upland Cotton may be discontinued, which could adversely affect the Parkdale America LLC joint venture and thereby the Company's investment income and cash flows.

One of the Company's joint ventures, Parkdale America, LLC ("PAL"), receives economic adjustment payments ("EAP") from the Commodity Credit Corporation under the Economic Assistance program to Users of Upland Cotton, Subpart C of the 2008 Farm Bill. The economic assistance received under this program must be used to acquire, construct, install, modernize, develop, convert or expand land, plant, buildings, equipment, or machinery directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the U.S. Should PAL no longer meet the criteria to receive economic assistance under the program or should the program be discontinued, PAL's business could be significantly impacted.

The Company relies on accurate financial reporting information from PAL, an entity that it does not control. Errors in PAL's financial reporting could be material to the Company and cause it to have to restate past financial statements.

The Company has ownership interests in PAL, which is an equity method investee that it does not control. The Company relies on accurate financial reporting information from PAL for preparation of its quarterly and annual financial statements. Errors in the financial reporting information received by the Company from PAL could be material to the Company and require it to have to restate past financial statements filed with the Securities and Exchange Commission (the "SEC"). Such restatements, if they occur could have a material adverse effect on the Company or the market price of its securities.

The Company's future success will depend in part on its ability to protect its intellectual property rights, and the Company's inability to enforce these rights could cause it to lose sales and any competitive advantage it has.

The Company's success depends in part upon its ability to protect and preserve its rights in the trademarks and other intellectual property it owns or licenses, including its proprietary know-how, methods and processes and intellectual property related to its REPVEVE® brand. The Company relies on the trademark, copyright and trade secret laws of the U.S. and other countries, as well as nondisclosure and confidentiality agreements, to protect its intellectual property rights.

However, the Company may be unable to prevent third parties, employees or contractors from using its intellectual property without authorization, breaching any nondisclosure or confidentiality agreements with it, or independently developing technology that is similar to the Company's property. The use of the Company's intellectual property by others without authorization may reduce any competitive advantage that it has developed, cause it to lose sales or otherwise harm its business.

The Company has made and may continue to make investments in entities that it does not control.

The Company has established joint ventures and made minority interest investments designed, among other things, to increase its vertical integration, increase efficiencies in its raw material procurement, manufacturing processes, marketing and distribution in the U.S. and other markets. The Company's inability to control entities in which it invests may affect its ability to receive distributions from those entities or to fully implement its business plan. The incurrence of debt or entry into other agreements by an entity not under its control may result in restrictions or prohibitions on that entity's ability to pay dividends or make other distributions. Even where these entities are not restricted by contract or by law from making distributions, the Company may not be able to influence the occurrence or timing of such distributions. In addition, if any of the other investors in these entities fails to observe its commitments, that entity may not be able to operate according to its business plan or the Company may be required to increase its level of commitment. If any of these events were to occur, its business, results of operations, financial condition or cash flows could be adversely affected. Because the Company does not own a majority or maintain voting control of these entities, the Company does not have the ability to control their policies, management or affairs. The interests of persons who control these entities or partners may differ from the Company's, and they may cause such entities to take actions which are not in the Company's best interest. If the Company is unable to maintain its relationships with its partners in these entities, the Company could lose its ability to operate in these areas which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Executive Officers of the Registrant

The following is a description of the name, age, position and offices held, and the period served in such position or offices for each of the executive officers of the Company.

Chairman of the Board and Chief Executive Officer

WILLIAM L. JASPER — Age: 59 — Mr. Jasper was appointed Chairman of the Board in February 2011 and has served as the Company's Chief Executive Officer since September 2007. Mr. Jasper joined the Company in September 2004, was later appointed as the General Manager of the Polyester Division, and in April 2006 was promoted to Vice President of Sales. From September 2007 to February 2011, he was also President of the Company. Prior to joining the Company, he was the Director of INVISTA's Dacron® polyester filament business. Before working at INVISTA, Mr. Jasper held various management positions in operations, technology, sales and business for DuPont since 1980. He has been a member of the Company's Board of Directors (the "Board") since September 2007 and is Chairman of the Board's Executive Committee.

President and Chief Operating Officer

R. ROGER BERRIER — Age: 43 — Mr. Berrier was appointed President and Chief Operating Officer in February 2011. Mr. Berrier had been the Executive Vice President of Sales, Marketing and Asian Operations of the Company since September 2007. Mr. Berrier had been the Vice President of Commercial Operations since April 2006 and the Commercial Operations Manager responsible for corporate product development, marketing and brand sales management from April 2004 to April 2006. Mr. Berrier joined the Company in 1991 and has held various management positions within operations, including international operations, machinery technology, research and development and quality control. He has been a member of the Board since September 2007 and is a member of the Board's Executive Committee.

Vice Presidents

RONALD L. SMITH — Age: 44 — Mr. Smith has been Vice President and Chief Financial Officer of the Company since October 2007. He was appointed Vice President of Finance and Treasurer in September 2007. Mr. Smith held the position of Treasurer and had additional responsibility for Investor Relations from May 2005 to October 2007 and was the Vice President of Finance, Unifi Kinston, LLC from September 2004 to April 2005. Mr. Smith joined the Company in 1994 and has held positions as Controller, Chief Accounting Officer and Director of Business Development and Corporate Strategy.

THOMAS H. CAUDLE, JR. — Age: 60 — Mr. Caudle has been the Vice President of Manufacturing since October 2006. He was the Vice President of Global Operations of the Company from April 2003 until October 2006. Mr. Caudle had been Senior Vice President in charge of manufacturing for the Company since July 2000 and Vice President of Manufacturing Services of the Company since January 1999. Mr. Caudle has been an employee of the Company since 1982.

CHARLES F. MCCOY — Age: 48 — Mr. McCoy has been the Vice President, Secretary and General Counsel of the Company since October 2000, the Corporate Compliance Officer since 2002, the Corporate Governance Officer of the Company since 2004, and Chief Risk Officer since July 2009. Mr. McCoy has been an employee of the Company since January 2000, when he joined the Company as Corporate Secretary and General Counsel.

Each of the executive officers was elected by the Company's Board at the Annual Meeting of the Board held on October 26, 2011. Each executive officer was elected to serve until the next Annual Meeting of the Board or until his successor was elected and qualified. No executive officer has a family relationship as close as first cousin with any other executive officer or director.

Item 2. Properties

The following table consists of a summary of principal properties owned or leased by the Company as of June 24, 2012:

Location	Description
Polyester Segment Properties	
<i>Domestic</i>	
Yadkinville, NC	Five plants and three warehouses (1)
Reidsville, NC	One plant (1)
Mayodan, NC	One warehouse (2)
Cooleemee, NC	One warehouse (2)
<i>Foreign</i>	
Ciudad Arce, El Salvador	One plant and two warehouses (2)

Location	Description
Nylon Segment Properties	
<i>Domestic</i>	
Madison, NC	One plant and one warehouse (1)
Fort Payne, AL	One central distribution center (3)
<i>Foreign</i>	
Bogota, Colombia	One plant (1)
International Segment Properties	
<i>Foreign</i>	
Alfenas, Brazil	One plant and one warehouse (1)
Sao Paulo, Brazil	One corporate office (2) and two sales offices (2)
Suzhou, China	One sales office (2)

- (1) Owned in simple fee
(2) Leased facilities
(3) Owned in simple a fee and held for sale as of June 24, 2012

In addition to the above properties, the Company owns a property located at 7201 West Friendly Avenue in Greensboro, North Carolina, which serves as the Company's corporate administrative office for all its segments. Such property consists of a building containing approximately 100 square feet located on a tract of land containing approximately nine acres.

As of June 24, 2012, the Company owned approximately 4,400 square feet of manufacturing, warehouse and office space.

Management believes all of its operating properties are well maintained and in good condition. In fiscal year 2012, the Company's manufacturing plants in the Polyester, Nylon and International segments operated below capacity. Management does not perceive any capacity constraints in the foreseeable future.

Item 3. Legal Proceedings

There are no pending legal proceedings, other than ordinary routine litigation incidental to the Company's business, to which the Company is a party or of which any of its property is the subject.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed for trading on the New York Stock Exchange ("NYSE") under the symbol "UFI." The following table consists of the high and low sales prices of the Company's common stock for the Company's two most recent fiscal years.

On October 27, 2010, the shareholders of the Company approved a reverse stock split of the Company's common stock (the "reverse stock split") at a ratio of 1-for-3. The reverse stock split became effective November 3, 2010. All per share prices, share amounts and computations using such amounts have been retroactively adjusted to reflect the reverse stock split.

	High	Low
Fiscal year 2012:		
First quarter ended September 25, 2011	\$ 14.74	\$ 8.32
Second quarter ended December 25, 2011	9.41	7.01
Third quarter ended March 25, 2012	10.00	7.14
Fourth quarter ended June 24, 2012	12.27	8.95
Fiscal year 2011:		
First quarter ended September 26, 2010	\$ 13.95	\$ 10.92
Second quarter ended December 26, 2010	17.21	12.69
Third quarter ended March 27, 2011	19.87	14.85
Fourth quarter ended June 26, 2011	17.93	11.60

As of August 20, 2012 there were 322 record holders of the Company’s common stock. A significant number of the outstanding shares of common stock which are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of the Depository Trust Company, a securities depository for banks and brokerage firms. The Company estimates that there are approximately 3,800 beneficial owners of its common stock.

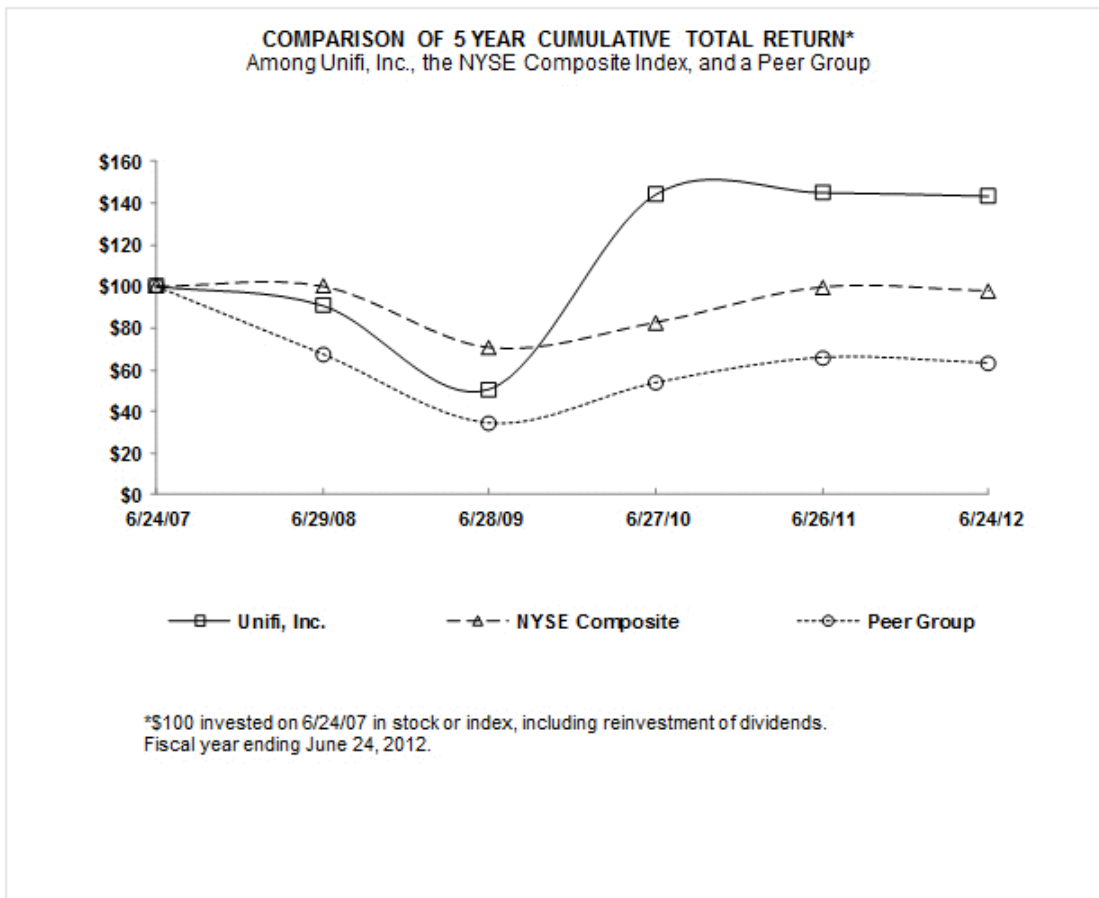
No dividends were paid in the past two fiscal years and the Company does not intend to pay cash dividends in the foreseeable future. The Company’s current debt obligations contain certain restricted payment and restricted investment provisions, including a restriction on the payment of dividends and share repurchases should its borrowing capacity fall below certain thresholds. Information regarding the Company’s debt obligations is provided in “Footnote 12. Long-Term Debt” to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Purchases of Equity Securities

Effective July 26, 2000, the Board authorized the repurchase of up to 3,333 shares of its common stock of which approximately 1,064 shares were subsequently repurchased. The repurchase program was suspended in November 2003. There is remaining authority for the Company to repurchase approximately 2,269 shares of its common stock under the repurchase plan. The repurchase plan has no stated expiration or termination date.

PERFORMANCE GRAPH - SHAREHOLDER RETURN ON COMMON STOCK

Set forth below is a line graph comparing the cumulative total shareholder return on the Company’s common stock with (i) the New York Stock Exchange Composite Index, a broad equity market index, and (ii) a peer group selected by the Company in good faith (the “Peer Group”), assuming in each case, the investment of \$100 on June 24, 2007 and reinvestment of dividends. Including the Company, the Peer Group consists of twelve publicly traded textile companies, including Albany International Corp., Culp, Inc., Decorator Industries, Inc., Dixie Group, Inc., The Hallwood Group, Inc., Hampshire Group, Limited, Interface, Inc., Joe’s Jeans Inc., JPS Industries, Inc., Lydall, Inc., and Mohawk Industries, Inc.



	June 24, 2007	June 29, 2008	June 28, 2009	June 27, 2010	June 26, 2011	June 24, 2012
Unifi, Inc.	100.00	90.68	50.54	144.09	144.92	143.25
NYSE Composite	100.00	100.00	70.60	82.72	99.73	97.78
Peer Group	100.00	67.50	34.43	53.81	65.90	63.28

Item 6. Selected Financial Data

The following table presents selected historical consolidated financial data. The data should be read in conjunction with the Company's historical consolidated financial statements for each of the periods presented as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

	For the Fiscal Years Ended				
	June 24, 2012	June 26, 2011	June 27, 2010	June 28, 2009	June 29, 2008
Summary of Operations:					
Net sales	\$ 705,086	\$ 712,812	\$ 622,618	\$ 558,415	\$ 719,545
Gross profit	\$ 54,396	\$ 74,652	\$ 73,251	\$ 29,693	\$ 51,739
Selling, general and administrative expenses	\$ 43,482	\$ 44,659	\$ 47,934	\$ 40,309	\$ 48,729
Operating income (loss) (3)	\$ 8,632	\$ 28,692	\$ 25,388	\$ (26,560)	\$ 2,416
Interest expense	\$ 16,073	\$ 19,190	\$ 21,889	\$ 23,152	\$ 26,056
Equity in earnings of unconsolidated affiliates	\$ (19,740)	\$ (24,352)	\$ (11,693)	\$ (3,251)	\$ (1,402)
Income (loss) from continuing operations before income taxes	\$ 8,849	\$ 32,422	\$ 18,371	\$ (44,760)	\$ (30,326)
(Benefit) provision for income taxes	\$ (1,979)	\$ 7,333	\$ 7,686	\$ 4,301	\$ (10,949)
Income (loss) from continuing operations, net of tax	\$ 10,828	\$ 25,089	\$ 10,685	\$ (49,061)	\$ (19,377)
Net income (loss) attributable to Unifi, Inc. (1)	\$ 11,491	\$ 25,089	\$ 10,685	\$ (48,996)	\$ (16,151)

Per common share:

Net income (loss) from continuing operations attributable to Unifi, Inc.					
Basic (2)	\$ 0.57	\$ 1.25	\$ 0.53	\$ (2.38)	\$ (0.96)
Diluted (2)	\$ 0.56	\$ 1.22	\$ 0.52	\$ (2.38)	\$ (0.96)

Cash Flow Data:

Net cash provided by continuing operations	\$ 43,309	\$ 11,880	\$ 20,581	\$ 16,960	\$ 13,673
Depreciation and amortization expenses	\$ 27,135	\$ 25,977	\$ 27,416	\$ 32,473	\$ 41,574
Capital expenditures	\$ 6,354	\$ 20,539	\$ 13,112	\$ 15,259	\$ 12,809
Dividends received from unconsolidated affiliates	\$ 10,616	\$ 5,900	\$ 3,265	\$ 3,688	\$ 4,462
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —

	June 24, 2012	June 26, 2011	June 27, 2010	June 28, 2009	June 29, 2008
Balance Sheet Data:					
Cash and cash equivalents	\$ 10,886	\$ 27,490	\$ 42,691	\$ 42,659	\$ 20,248
Property, plant and equipment, net	127,090	151,027	151,499	160,643	177,299
Total assets	482,233	537,376	504,512	476,932	591,531
Total debt	121,552	168,664	179,390	180,259	194,341
Shareholders' equity	290,780	299,655	259,896	244,969	305,669
Working capital	166,485	212,969	174,464	175,808	186,817

- (1) Amounts are net of discontinued operations and non-controlling interest for the years presented.
- (2) All amounts per share have been retroactively adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.
- (3) Operating income (loss) for FY 2009 is inclusive of impairment charges of \$18,930 primarily related to goodwill impairment charges caused by difficult market conditions and a decline in the Company's market capitalization.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion contains certain forward-looking statements about the Company's financial condition and results of operations.

Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. They may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," "will," or words or phrases of similar meaning. They may relate to, among other things, the risks described below:

- the competitive nature of the textile industry and the impact of worldwide competition;
- changes in the trade regulatory environment and governmental policies and legislation;
- the availability, sourcing and pricing of raw materials;
- general domestic and international economic and industry conditions in markets where the Company competes, such as recession and other economic and political factors over which the Company has no control;
- changes in consumer spending, customer preferences, fashion trends and end-uses;
- the ability to reduce production costs;
- changes in currency exchange rates, interest and inflation rates;
- the financial condition of the Company's customers;
- the ability to sell excess assets;
- technological advancements and the continued availability of financial resources to fund capital expenditures;
- the operating performance of joint ventures and other equity investments;
- the accurate financial reporting of information from equity method investees;
- the impact of environmental, health and safety regulations;
- the loss of a material customer(s);
- the ability to protect intellectual property;
- employee relations;
- volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic initiatives;
- the continuity of the Company's leadership;
- availability of and access to credit on reasonable terms; and
- the success of the Company's strategic business initiatives.

These forward-looking statements reflect the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties that may cause actual results to differ materially from trends, plans or expectations set forth in the forward-looking statements. These risks and uncertainties may include those discussed above or in "Item 1A—Risk Factors." New risks can emerge from time to time. It is not possible for the Company to predict all of these risks, nor can it assess the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in forward-looking statements.

Business Overview

The Company sells its polyester and nylon products to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, hosiery, sock, home furnishing, automotive upholstery, industrial and other end-use markets. The Company maintains one of the industry's most comprehensive product offerings and has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States ("U.S."). The Company's principal markets are located in the U.S., Canada, Mexico, Central America, and South America. In addition, the Company has a wholly-owned subsidiary in the People's Republic of China ("China") focused on the sale and promotion of the Company's specialty and PVA products in the Asian textile market, primarily in China as well as into Europe. The Company has three operating segments which are also its reportable segments: the Polyester segment, the Nylon segment and the International segment. For further information regarding our business, see "Item 1. Business" included in this Annual Report on 10-K and for further information regarding segments, see "Footnote 28. Business Segment Information" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Deleveraging Strategy: During the June 2012 quarter, the Company successfully completed its comprehensive debt refinancing. The refinancing allowed the Company to extend the maturity profile of its indebtedness to May 2017 and will generate approximately \$9,000 of annual interest expense savings. In addition, the Company believes that this new financing will provide the availability and flexibility needed to execute its strategic objectives.

Raw Materials: Polyester raw material costs for fiscal year 2012 averaged 8 to 9 cents per pound higher than fiscal year 2011. Throughout most of fiscal year 2012, and for the latter half of fiscal year 2011, polyester raw material costs remained at their highest levels in over thirty years. In addition, Asian imported yarns have become more competitive and continued to place pressure on the Company's commodity business as the U.S.-Asia gap in polymer pricing averaged 11 to 12 cents per pound in fiscal year 2012 versus the 4 to 5 cents average per pound for the prior fiscal year period.

Inventory Destocking: The Company believes inventory in the U.S. apparel supply chain reached elevated levels during the first quarter of the Company's recently completed fiscal year, and producers and wholesalers reacted to the elevated inventory levels by curtailing purchases from August to December 2011. The Company reacted by adjusting its production below its sales levels in order to reduce its on-hand inventory units. As a result of the Company's actions, the production volume and per unit manufacturing costs in the Company's Polyester and Nylon segments were negatively impacted during the first half of fiscal 2012.

Brazil: The strengthening of the Brazilian Real during the first half of fiscal year 2012 began to negatively impact the competitiveness of the local apparel supply chain by making imports of competing fibers, garments and apparel more competitively priced. The return of the Real to more normalized levels during the second half of the fiscal year and the initiatives taken by the Brazilian government to help support the domestic manufacturers have helped shift demand back to the domestic Brazilian textile producers. Due to the long supply chain for the procurement of its raw materials, the Company's Brazilian business was negatively impacted by the cost of higher priced inventory flowing through the operation in the current fiscal year. Lower sales and production volume also caused unfavorable increases in production costs due to lower utilization rates as well as higher spending due to inflationary increases for employee costs and power.

Strategy: While the Company continues to face a challenging operating environment caused by global competition across the supply chain, inflation in input costs and raw materials, and potential decreased demand caused by continuing weakness of the U.S. and global economies, the Company believes it has the appropriate strategies to succeed in such an environment. The Company continues to focus on its key strategies: striving for continuous improvement across all operational and business processes; enriching its product mix by growing its higher margin PVA product portfolio; increasing sales of yarns with regional rules of origin requirements; and continuing its strategic penetration in global growth markets, such as China, Central America and Brazil. Going forward, the Company expects to continue its support of these strategies through investments in product and geographic growth opportunities and utilizing excess liquidity to continue its deleveraging strategy, with the goal of reducing leverage, prepaying its Term B Loan, and developing other strategies to enhance shareholder value.

Company Outlook: The Company expects operating profit improvements for fiscal year 2013 when compared to fiscal year 2012 due to anticipated higher sales volume (from the lessening effect of the inventory destocking and signs of improvement in the Company's key markets) and gross margin improvement.

Key Performance Indicators and Non-GAAP Financial Measures

The Company continuously reviews performance indicators to measure its success. The following are the indicators management uses to assess performance of the Company's business:

- sales volume for the Company and for each of its reportable segments;
- gross profits and gross margin for the Company and for each of its reportable segments;
- Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") represents net income or loss attributable to Unifi, Inc. before net interest expense, income tax expense and depreciation and amortization expense (excluding interest portion of amortization);
- Adjusted EBITDA Including Equity Affiliates represents EBITDA adjusted to exclude gains or losses on extinguishment of debt, loss on previously held equity interest, non-cash compensation expense net of distributions, and certain other adjustments. Other adjustments include items such as gains or losses on sales or disposals of property, plant, or equipment, currency and derivative gains or losses, employee severance, restructuring charges, startup costs, and certain other non-operating income or expense items;
- Adjusted EBITDA represents Adjusted EBITDA Including Equity Affiliates excluding the earnings of unconsolidated affiliates. The Company may, from time to time, change the items included within Adjusted EBITDA;
- Segment Adjusted Profit equals segment gross profit plus segment depreciation and amortization less segment selling, general, and administrative expenses ("SG&A"), net of segment other adjustments;
- Adjusted Working Capital (receivables plus inventory less accounts payable and certain accrued expenses) is an indicator of the Company's production efficiency and ability to manage its inventory and receivables; and
- Working Capital represents current assets less current liabilities.

EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Segment Adjusted Profit and Adjusted Working Capital are financial measurements that management uses to facilitate its analysis and understanding of the Company's business operations. Management believes they are useful to investors because they provide a supplemental way to understand the underlying operating performance and debt service capacity of the Company. The calculation of EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Segment Adjusted Profit and Adjusted Working Capital are subjective measures based on management's belief as to which items should be included or excluded, in order to provide the most reasonable view of the underlying operating performance of the business. EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Segment Adjusted Profit and Adjusted Working Capital are not considered to be in accordance with generally accepted accounting principles ("non-GAAP measurements") and should not be considered a substitute for performance measures calculated in accordance with GAAP.

Results of Operations

The following table presents a summary of Net income attributable to Unifi, Inc.:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Net sales	\$ 705,086	\$ 712,812	\$ 622,618
Cost of sales	650,690	638,160	549,367
Gross profit	54,396	74,652	73,251
Selling, general and administrative expenses	43,482	44,659	47,934
Provision (benefit) for bad debts	211	(304)	123
Other operating expense (income), net	2,071	1,605	(194)
Operating income	8,632	28,692	25,388
Interest expense, net	14,152	16,679	18,764
Equity in earnings of unconsolidated affiliates	(19,740)	(24,352)	(11,693)
Other non-operating expense (income), net	5,371	3,943	(54)
Income before income taxes	8,849	32,422	18,371
(Benefit) provision for income taxes	(1,979)	7,333	7,686
Net income including non-controlling interest	10,828	25,089	10,685
Less: net (loss) attributable to non-controlling interest	(663)	—	—
Net income attributable to Unifi, Inc.	<u>\$ 11,491</u>	<u>\$ 25,089</u>	<u>\$ 10,685</u>

The reconciliations of Net income attributable to Unifi, Inc. to EBITDA, Adjusted EBITDA Including Equity Affiliates and Adjusted EBITDA are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Net income attributable to Unifi, Inc.	\$ 11,491	\$ 25,089	\$ 10,685
(Benefit) provision for income taxes	(1,979)	7,333	7,686
Interest expense, net	14,152	16,679	18,764
Depreciation and amortization expense	26,225	25,562	26,312
EBITDA	<u>\$ 49,889</u>	<u>\$ 74,663</u>	<u>\$ 63,447</u>
Loss (gain) on extinguishment of debt	3,203	3,337	(54)
Loss of previously held equity affiliate	3,656	—	—
Non-cash compensation expense, net of distributions	2,382	1,361	2,555
Other	410	5,451	1,001
Adjusted EBITDA Including Equity Affiliates	<u>\$ 59,540</u>	<u>\$ 84,812</u>	<u>\$ 66,949</u>
Equity in earnings of unconsolidated affiliates	(19,740)	(24,352)	(11,693)
Adjusted EBITDA	<u>\$ 39,800</u>	<u>\$ 60,460</u>	<u>\$ 55,256</u>

The reconciliations of Adjusted EBITDA to Segment Adjusted Profit are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Adjusted EBITDA	\$ 39,800	\$ 60,460	\$ 55,256
Depreciation included in other operating expense (income), net	(21)	(20)	(111)
Non-cash compensation expense, net of distributions	(2,382)	(1,361)	(2,555)
Provision (benefit) for bad debts	211	(304)	123
Other, net	(271)	(228)	(168)
Segment Adjusted Profit	<u>\$ 37,337</u>	<u>\$ 58,547</u>	<u>\$ 52,545</u>

Segment Adjusted Profit by reportable segment is as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 12,913	\$ 20,660	\$ 13,784
Nylon	11,227	14,055	14,302
International	13,197	23,832	24,459
Total Segment Adjusted Profit	<u>\$ 37,337</u>	<u>\$ 58,547</u>	<u>\$ 52,545</u>

Segment Net Sales by reportable segment are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 393,981	\$ 375,605	\$ 308,691
Nylon	163,103	163,354	165,098
International	148,002	173,853	148,829
Consolidated net sales	<u>\$ 705,086</u>	<u>\$ 712,812</u>	<u>\$ 622,618</u>

Segment Gross Profit by reportable segment is as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 19,673	\$ 24,746	\$ 21,795
Nylon	16,956	19,763	20,779
International	17,767	30,143	30,677
Consolidated gross profit	<u>\$ 54,396</u>	<u>\$ 74,652</u>	<u>\$ 73,251</u>

Segment SG&A Expenses by reportable segment are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 25,668	\$ 25,717	\$ 28,717
Nylon	8,851	8,845	9,954
International	8,963	10,097	9,263
Consolidated SG&A expenses	<u>\$ 43,482</u>	<u>\$ 44,659</u>	<u>\$ 47,934</u>

The reconciliations of Segment Depreciation and Amortization Expense to Consolidated Depreciation and Amortization Expense are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 19,046	\$ 18,470	\$ 19,679
Nylon	3,089	3,287	3,477
International	4,011	3,786	3,045
Subtotal segment depreciation and amortization expense	\$ 26,146	\$ 25,543	\$ 26,201
Depreciation and amortization included in other operating (income) expense, net	119	19	111
Amortization included in interest expense	870	415	1,104
Consolidated depreciation and amortization expense	<u>\$ 27,135</u>	<u>\$ 25,977</u>	<u>\$ 27,416</u>

Segment Other Adjustments consists of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ (138)	\$ 3,161	\$ 1,027
Nylon	33	(150)	—
International	382	—	—
Segment other adjustments	<u>\$ 277</u>	<u>\$ 3,011</u>	<u>\$ 1,027</u>

Review of Fiscal Year 2012 Results of Operations Compared to Fiscal Year 2011

Consolidated Overview

The components of Net income attributable to Unifi, Inc., each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		June 26, 2011		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 705,086	100.0	\$ 712,812	100.0	(1.1)
Cost of sales	650,690	92.3	638,160	89.5	2.0
Gross profit	54,396	7.7	74,652	10.5	(27.1)
Selling, general and administrative expenses	43,482	6.2	44,659	6.3	(2.6)
Provision (benefit) for bad debts	211	—	(304)	—	(169.4)
Other operating expense, net	2,071	0.3	1,605	0.2	29.0
Operating income	8,632	1.2	28,692	4.0	(69.9)
Interest expense, net	14,152	2.0	16,679	2.3	(15.1)
Earnings from unconsolidated affiliates	(19,740)	(2.8)	(24,352)	(3.4)	(18.9)
Other non-operating expense, net	5,371	0.8	3,943	0.6	36.2
Income before income taxes	8,849	1.2	32,422	4.5	(72.7)
(Benefit) provision for income taxes	(1,979)	(0.3)	7,333	1.0	(127.0)
Net income including non-controlling interest	10,828	1.5	25,089	3.5	(56.8)
Less: net (loss) attributable to non-controlling interest	(663)	(0.1)	—	—	—
Net income attributable to Unifi, Inc.	\$ 11,491	1.6	\$ 25,089	3.5	(54.2)

Consolidated Net Sales

Net sales for the fiscal year ended June 24, 2012 decreased by \$7,726, or 1.1%, as compared to the prior fiscal year. Overall, sales volume decreased by 5.9%, with sales volume decreases in each of the Company's reportable segments, primarily due to softness caused by inventory destocking across the U.S. apparel supply chain and reduced demand in Brazil as a result of increased imports of competing yarn, fabric and garments becoming more competitive alternatives. The decrease in volume was partially offset by an increase in the weighted average selling price of 4.8% due to raw material inflation and mix enrichment.

Consolidated Gross Profit

Gross profit for the fiscal year ended June 24, 2012 decreased by \$20,256, or 27.1%, as compared to the prior fiscal year. Gross profit declines were experienced in each of the Company's reportable segments due to record-high raw material prices and lower sales volumes as demand decreased for most of the Company's products due to inventory destocking within the U.S. apparel supply chain. In order to reduce inventory levels, the Company reduced production volumes below sales levels, which resulted in lower capacity utilization in its manufacturing facilities. The lower production volumes resulted in higher per unit costs. In addition, the Company's operation in Brazil was negatively impacted by less expensive imports which created a challenging competitive environment for local production, higher average raw material costs and higher manufacturing costs due to lower utilization rates and inflationary spending increases.

Polyester Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts for the Polyester segment are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		June 26, 2011		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 393,981	100.0	\$ 375,605	100.0	4.9
Cost of sales	374,308	95.0	350,859	93.4	6.7
Gross profit	\$ 19,673	5.0	\$ 24,746	6.6	(20.5)

The decline in gross profit of \$5,073 was primarily due to lower sales volume, higher manufacturing costs and lower conversion margins (net sales less raw material costs) for certain products. The sales volume declines from the prior year period of approximately 3% were driven by weak demand due to increased inventory in the U.S. apparel supply chain, a widened U.S.-Asia raw material price gap and the decision of the Company to exit certain commodity business. In an effort to reduce on-hand inventory levels, the segment adjusted down its production rate during the period to levels lower than the sales rate. The lower utilization and production levels for the current period created an unfavorable impact on the segment's manufacturing costs per unit sold which negatively impacted gross profit. The rise in polyester raw material costs, (an increase in the average cost per pound of approximately 12% versus the prior year period), negatively impacted the segment's conversion margins during the year as not all cost increases could be passed along to customers.

The Polyester segment net sales and gross profit as a percentage of total consolidated amounts were 55.9% and 36.2% for fiscal year 2012, compared to 52.7% and 33.1% for fiscal year 2011, respectively.

Outlook for 2013

The Company anticipates volume and profitability improvements in fiscal year 2013 for the Polyester segment versus fiscal year 2012 due to signs of recovery in key markets, the Company's belief of an end to the inventory destocking in the U.S. apparel supply chain, the region's ability to maintain its market share against imports and the expectation for a higher average conversion margin related to lower raw material costs and mix enrichment.

Nylon Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts for the Nylon segment are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		June 26, 2011		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 163,103	100.0	\$ 163,354	100.0	(0.2)
Cost of sales	146,147	89.6	143,591	87.9	1.8
Gross profit	\$ 16,956	10.4	\$ 19,763	12.1	(14.2)

The decline in gross profit of \$2,807 was due to lower sales volume and higher unit manufacturing costs. The sales volume decline from the prior year period of approximately 10% was a result of lower shipments into the sock, hosiery and knit apparel applications resulting from inventory destocking in the U.S. apparel supply chain. The lower production and plant utilization for the period created an unfavorable change in the segment's manufacturing costs of approximately 4% but allowed for a reduction of on-hand inventory units.

The Nylon segment net sales and gross profit, as a percentage of total consolidated amounts, were 23.1% and 31.2% for fiscal year 2012, compared to 22.9% and 26.5% for fiscal year 2011, respectively.

Outlook for 2013

Due to the belief that the inventory destocking within the U.S. apparel supply chain was completed in the first half of fiscal 2012, the Company anticipates volume and profitability improvements for the Nylon segment in fiscal year 2013.

International Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts for the International segment are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		June 26, 2011		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 148,002	100.0	\$ 173,853	100.0	(14.9)
Cost of sales	130,235	88.0	143,710	82.7	(9.4)
Gross profit	\$ 17,767	12.0	\$ 30,143	17.3	(41.1)

For the International segment, gross profit decreased by \$12,376. This decline was primarily due to lower sales volume, lower conversion margins and higher unit manufacturing costs in Brazil as well as lower sales volume and margins in the Company's Chinese operation. Sales volume declines of approximately 9% and decreases in unit conversion margins in Brazil were due to increased imports of competing yarn, fabric and garments as imports became more competitive alternatives as a result of the appreciation of the local currency from January to August 2011 and a higher average cost of raw materials. The approximately 10% higher unit manufacturing costs in Brazil were due to lower capacity utilization as a result of lower production volume along with higher manufacturing costs due to inflation, salary increases and higher power costs. Gross profit declines for the Company's Chinese subsidiary were due to the 17% decline in sales volume that was caused by a reduction in orders from the operation's largest customer as well as lower average selling margins as sales volume was weighted more heavily toward commodity goods.

The international segment net sales and gross profit as a percentage of total consolidated amounts were 21.0% and 32.6% for fiscal year 2012, compared to 24.4% and 40.4% for fiscal year 2011, respectively.

Outlook for 2013

Based on the trend of improving sales volumes for the most recently completed fiscal quarter, the Company expects that the International segment will generate increased gross profits for fiscal year 2013 versus those generated in fiscal year 2012.

Consolidated Selling General & Administrative Expenses

SG&A expenses decreased in total and as a percentage of net sales for the current fiscal year when compared to the prior period. The decrease of \$1,177, or 2.6%, was primarily a result of decreases in fringe benefit and other employee related costs as well as administrative costs. The reduction in fringe benefit costs was mainly related to reductions in expenses for certain variable compensation programs of approximately \$1,600. These declines were partially offset by higher non-cash deferred compensation costs as well as increased salary costs and branding initiatives.

Outlook for 2013

Excluding the potential effects of any currency fluctuations and the amounts to be expensed under any variable compensation programs, the Company expects the costs to be incurred for SG&A expenses for its fiscal year 2013 to approximate the levels for fiscal year 2012.

Consolidated Provision (Benefit) for Bad Debts

The provision for bad debt expense was \$211 for the fiscal year ended June 24, 2012, as compared to a benefit of \$304 recorded for the fiscal year ended June 26, 2011. The change in the provision versus the prior year period is a result of unfavorable changes in the aging of customer receivables and a higher provision for certain risk accounts.

Consolidated Other Operating Expense (Income), Net

The components of other operating expense (income), net consist of the following:

	For the Fiscal Years Ended	
	June 24, 2012	June 26, 2011
Operating expenses for Renewables	\$ 1,633	\$ —
Net loss on sale or disposal of assets	369	368
Foreign currency transaction (gains) losses	270	(19)
Restructuring charges, net	71	1,484
Other, net	(272)	(228)
Total other operating expense (income), net	<u>\$ 2,071</u>	<u>\$ 1,605</u>

Consolidated Interest Expense, Net

Net interest expense decreased from \$16,679 for the prior fiscal year to \$14,152 for the current fiscal year ended June 24, 2012. This favorable decline in interest expense was due to both a lower average outstanding debt balance and a lower weighted average interest rate. The decreased debt balances were caused by the Company's prepayments throughout the current year, the completion of the debt refinancing in May 2012 and the additional prepayments of its Term B Loan obligations subsequent to the fourth quarter refinancing. The weighted average interest rate of the Company's debt for the current year period was 9.8% versus 11.0% for the prior year period and was favorably impacted by lower average interest rates which resulted from the debt refinancing.

Outlook for 2013:

As a result of the Company's recently completed debt refinancing and the continued repayments of existing debt obligations as operating cash flows allow, the Company's expectation is for interest expense, net to be approximately \$9,000 to \$10,000 lower for its fiscal year 2013 than the amounts incurred during the current fiscal year.

Consolidated Other Non-Operating Expense, net

For the fiscal year ended June 24, 2012, Other non-operating expense consists of \$3,203 in losses on extinguishment of debt due to the refinancing and the redemption of outstanding debt obligations, the \$3,656 write-down of previously held equity interest partially offset by a gain of \$1,488 from the Company's Brazilian operation related to a refund of non-income related taxes plus interest. For the fiscal year ended June 26, 2011, Other non-operating expense consists primarily of \$3,337 in losses from extinguishment of debt and \$528 for costs associated with an unsuccessful debt refinancing.

Consolidated Earnings from Unconsolidated Affiliates

For the fiscal year ended June 24, 2012, the Company generated \$8,849 of income before income taxes of which \$19,740 was generated from its investments in unconsolidated affiliates. For the twelve months ended June 24, 2012, earnings from the Company's unconsolidated equity affiliates were \$19,740 compared to \$24,352 for the twelve months ended June 26, 2011. During these periods, the Company's 34% share of PAL's earnings decreased from \$22,655 to \$19,360 primarily due to lower sales volumes caused by the inventory destocking within the apparel supply chain. The remaining decrease in the earnings of unconsolidated affiliates relates primarily to the lower operating results of UNF and UNF America which was primarily driven by decreased sales volume and lower capacity utilization.

Consolidated Income Taxes

The components of income before income taxes consist of the following:

	For the Fiscal Years Ended	
	June 24, 2012	June 26, 2011
United States	\$ 3,010	\$ 14,737
Foreign	5,839	17,685
	<u>\$ 8,849</u>	<u>\$ 32,422</u>

The components of the (benefit) provision for income taxes consist of the following:

	For the Fiscal Years Ended	
	June 24, 2012	June 26, 2011
Federal	\$ (2,276)	\$ 3
State	(3,216)	—
Foreign	3,513	7,330
Income tax provision	<u>\$ (1,979)</u>	<u>\$ 7,333</u>

The Company's income tax provision for fiscal year 2012 resulted in an income tax benefit at an effective tax rate of (22.4%) compared to the 22.6% effective tax rate for fiscal year 2011. The differences between the Company's effective tax rate and the U.S. statutory rate for the current year period were primarily due to the benefits of the reversal of a portion of the Company's previously recorded valuation allowance against certain of its domestic deferred tax assets and the utilization of federal and state net operating loss carryforwards during the year, which were partially offset by the current year repatriation of foreign earnings and the tax effect of changes in future repatriation plans.

Outlook for 2013:

Based on current forecasts and assumptions, the Company expects to fully utilize its federal net operating loss carryforwards by the end of fiscal year 2013. Once utilized, the Company expects that its provision for income taxes will more closely approximate the federal statutory rate and its cash payments for taxes will increase versus the amounts paid during the current fiscal year.

Consolidated Net Income

Net income attributable to Unifi, Inc. for fiscal year 2012 was \$11,491 or \$0.57 per basic share compared to net income attributable to Unifi, Inc. of \$25,089, or \$1.25 per basic share, for the prior fiscal year. The Company's decreased profitability was primarily due to lower gross profits, lower earnings from unconsolidated affiliates and the loss on the previously held equity interest in Renewables which were partially offset by lower SG&A expenses, lower interest costs and income tax benefits related to the release of valuation allowance against certain domestic deferred tax assets.

Consolidated Adjusted EBITDA

Adjusted EBITDA for the fiscal year ended June 24, 2012 decreased \$20,660 versus the prior fiscal year. As discussed above, the \$20,256 reduction in gross profit is the primary reason for the year over year decline in Adjusted EBITDA.

Review of Fiscal Year 2011 Results of Operations Compared to Fiscal Year 2010

Consolidated Overview

The components of net income, each component as a percentage of total net sales and the percentage increase or decrease over the prior year amounts are as follows:

	For the Fiscal Years Ended				
	June 26, 2011		June 27, 2010		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 712,812	100.0	\$ 622,618	100.0	14.5
Cost of sales	638,160	89.5	549,367	88.2	16.2
Gross profit	74,652	10.5	73,251	11.8	1.9
Selling, general and administrative expenses	44,659	6.3	47,934	7.7	(6.8)
(Benefit) provision for bad debts	(304)	—	123	—	(347.2)
Other operating expense (income), net	1,605	0.2	(194)	—	—
Operating income	28,692	4.0	25,388	4.1	13.0
Interest expense, net	16,679	2.3	18,764	3.0	(11.1)
Earnings from unconsolidated affiliates	(24,352)	(3.4)	(11,693)	(1.9)	108.3
Other non-operating expense (income), net	3,943	0.6	(54)	—	—
Income before income taxes	32,422	4.5	18,371	3.0	76.5
Provision for income taxes	7,333	1.0	7,686	1.3	(4.6)
Net income	\$ 25,089	3.5	\$ 10,685	1.7	134.8

Consolidated Net Sales

Consolidated net sales increased by \$90,194, or 14.5%, for fiscal year 2011 compared to the prior year as a result of improved sales volumes of 5.9% related to capacity expansion in El Salvador and the ongoing recovery in the global economy. On a consolidated basis, the weighted-average selling price per pound increased by 8.6% compared to the prior fiscal year driven by mix enrichment and the Company's ability to pass along increasing raw material prices experienced throughout most of the year which peaked in the fourth quarter of fiscal year 2011.

Consolidated Gross Profit

Consolidated gross profit increased by \$1,401 to \$74,652 for fiscal year 2011 as compared to fiscal year 2010. This increase in gross profit was primarily attributable to higher sales volumes and improved conversion margins, partially offset by increased manufacturing costs. Conversion margin on a per unit basis improved 0.4% as the Company improved its mix through increased PVA sales. Total manufacturing costs increased \$13,029 as a result of the higher volumes and, on a unit basis, increased 1.5% which primarily reflected lower capacity utilization rates within the Nylon segment and certain inflationary costs.

Polyester Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts for the Polyester segment are as follows:

	For the Fiscal Years Ended				
	June 26, 2011		June 27, 2010		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 375,605	100.0	\$ 308,691	100.0	21.7
Cost of sales	350,859	93.4	286,896	93.0	22.3
Gross profit	\$ 24,746	6.6	\$ 21,795	7.0	13.5

In fiscal year 2011, net sales increased by 21.7% compared to fiscal year 2010. The Company's Polyester segment sales volumes increased 11.8% and the weighted-average selling price increased 9.9%. Increased volumes were primarily a result of increased demand for the segment's products due to improvements in retail sales of apparel and increased production levels from the CAFTA region at the expense of Asian supply chains. The Polyester segment's new manufacturing facility in El Salvador allowed the Company to participate in additional volume opportunities as global sourcing continued to move to the CAFTA region from Asia. The increase in the weighted-average selling price primarily reflected increases to recover lost conversion margin as raw material prices increased throughout most of the fiscal year.

Gross profit for the Polyester segment increased 13.5% over fiscal year 2010. On a unit basis, gross profit improved 1.8% as compared to the prior year. The increase in gross profit was mainly attributable to increased volumes and mix enrichment from higher PVA sales. Polyester conversion on a per unit basis remained flat against fiscal year 2010 despite higher levels of PVA sales as increases in sales prices lagged increases in raw material costs.

Total manufacturing costs increased 11.0% for fiscal year 2011 as compared to the prior year and decreased 0.7% on a per unit basis. Manufacturing costs were primarily unfavorably impacted by higher wage and fringe benefit costs of \$3,149, packaging supplies of \$2,596, utilities of \$1,859, depreciation expenses of \$1,228 and other fixed costs of \$1,854. The increases for employee related costs were driven primarily by an increase in the total cost per employee (due to wage increases and rising medical costs) and an increase in the number of employees at the new locations in El Salvador and the Company's recycling center. The increases in packaging and utilities were due to increased consumption from higher capacity utilization, as well as inflation negatively impacting these input costs. The other fixed costs primarily related to certain start-up costs and losses incurred during the period in which the assets at the Company's new operating facility in El Salvador became available for use but prior to the achievement of a reasonable level of production. The segment's variable manufacturing costs decreased by approximately 2.7% on a per unit basis due to a higher capacity utilization offsetting the spending increases. The segment's fixed manufacturing costs per unit increased approximately 7.0% due to the negative effects of the start-up costs and higher depreciation expenses.

The Polyester segment net sales and gross profit, as a percentage of total consolidated amounts, were 52.7% and 33.1% for fiscal year 2011, compared to 49.6% and 29.8% for fiscal year 2010, respectively.

Nylon Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts for the Nylon segment are as follows:

	For the Fiscal Years Ended				
	June 26, 2011		June 27, 2010		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 163,354	100.0	\$ 165,098	100.0	(1.1)
Cost of sales	143,591	87.9	144,319	87.4	(0.5)
Gross profit	\$ 19,763	12.1	\$ 20,779	12.6	(4.9)

Fiscal year 2011 Nylon segment net sales decreased 1.1% compared to fiscal year 2010. Nylon segment sales volumes decreased by 2.2% while the weighted average selling price increased by 1.1%. The decline in nylon sales volume was due to softening demand primarily in the hosiery and sock end-use markets during the second half of fiscal year 2011. The increase in the average selling price was primarily a result of increases in raw material pricing partially offset by a shift in the mix of products sold.

Gross profit for the Nylon segment decreased 4.9% in fiscal year 2011 as compared to fiscal year 2010. Total conversion dollars decreased \$562 or 0.8% primarily as a result of lower sales volumes and the shift in mix. Manufacturing costs increased 3.7% on a per unit basis. During fiscal year 2011, the segment experienced a slightly lower capacity utilization rate. The lower utilization rate coupled with higher packaging, warehousing and certain allocated manufacturing costs caused the increase in per unit cost. Efforts to decrease spending for utilities and wages were unable to offset these increases.

The Nylon segment net sales and gross profit, as a percentage of total consolidated amounts, were 22.9% and 26.5% for fiscal year 2011, compared to 26.5% and 28.3% for fiscal year 2010, respectively.

International Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales and the percentage increase or decrease over the prior year amounts for the International segment are as follows:

	For the Fiscal Years Ended				
	June 26, 2011		June 27, 2010		% Change
		% to Net Sales		% to Net Sales	
Net sales	\$ 173,853	100.0	\$ 148,829	100.0	16.8
Cost of sales	143,710	82.7	118,152	79.4	21.6
Gross profit	\$ 30,143	17.3	\$ 30,677	20.6	(1.7)

International segment net sales for fiscal year 2011 increased 16.8% as compared to fiscal year 2010. International segment sales volumes decreased 2.7% and the weighted-average selling price increased 19.5% as compared to the prior year. Gross profit for the International segment decreased compared to the prior year and was comprised of a decline in gross profit in Brazil partially offset by an increase in gross profit for the Company's Chinese subsidiary.

During fiscal year 2011, on a local currency basis, the Company's Brazilian operation experienced a 7.8% decline in its gross profits on a per unit basis. Sales volumes decreased 9.6% over the prior fiscal year due to increased competition from imported yarn, fabric and garments from Asia. This increased market penetration was due to the strengthening of the Brazilian Real against the U.S. dollar and changes in Asian polyester prices over the last half of the fiscal year. Variable manufacturing costs increased by 18.6% on a per unit basis, primarily as a result of increases in packing materials and utilities. Fixed manufacturing costs increased 19.0% on a per unit basis, mainly due to higher depreciation expense and increased salaries and fringe benefit costs. The increases in per unit manufacturing costs also reflect a lower capacity utilization rate resulting from lower volumes. On a U.S. dollar basis, net sales increased 10.7% in fiscal year 2011 compared to the prior year which included a \$9,863 positive currency exchange impact. Gross profit on a U.S. dollar basis decreased 10.3%.

The Company's Chinese subsidiary increased its polyester net sales by approximately 60% and its sales volumes by approximately 40% in fiscal year 2011 as compared to 2010, as the Company continued to improve its development, sourcing, resale and servicing of PVA products in the Asian region.

The international segment net sales and gross profit, as a percentage of total consolidated amounts, were 24.4% and 40.4% for fiscal year 2011, compared to 23.9% and 41.9% for fiscal year 2010, respectively.

Consolidated Selling General & Administrative Expenses

Consolidated SG&A expenses decreased in total and as a percentage of net sales for fiscal year 2011 as compared to the prior year. The 6.8% decrease in SG&A costs of \$3,275 for fiscal year 2011 was primarily a result of a decrease of \$1,213 in fringe benefit costs, a decrease of \$1,160 in non-cash deferred compensation costs, and a reduction in depreciation and amortization expenses of \$1,264. The reduction in fringe benefit costs is mainly related to reductions in certain variable compensation programs.

Consolidated (Benefit) Provision for Bad Debts

Due to improved economic conditions, the overall health of the Company's accounts receivable and certain risk accounts continued to improve during fiscal year 2011. As a result, the Company recorded a \$304 benefit as compared to an expense of \$123 recorded in the prior fiscal year.

Consolidated Other Operating Expense (Income), Net

The components of Other operating expense (income), net consist of the following:

	For the Fiscal Years Ended	
	June 26, 2011	June 27, 2010
Net loss on sale or disposal of assets	\$ 368	\$ 680
Foreign currency transaction (gains)	(19)	(145)
Restructuring charges, net	1,484	739
Impairment of long-lived assets	—	100
Gain from sale of nitrogen credits	—	(1,400)
Other, net	(228)	(168)
Other operating expense (income), net	<u>\$ 1,605</u>	<u>\$ (194)</u>

Consolidated Interest Expense, Net

Interest expense decreased from \$21,889 in fiscal year 2010 to \$19,190 in fiscal year 2011 primarily due to a lower average amount of outstanding debt related to the Company's 2014 notes. During fiscal year 2011, the Company used excess operating cash and lower rate borrowings under its prior revolving credit facility to redeem \$45,000 of its 2014 notes. The weighted average interest rate of Company debt for fiscal years 2011 and 2010 was 11.0% and 11.9%, respectively. Interest income was \$2,511 in fiscal year 2011 and \$3,125 in fiscal year 2010.

Consolidated Other Non-Operating Expense (Income), net

Other non-operating expense (income), net consists of losses from extinguishment of debt of \$3,337 in fiscal year 2011 and gains on extinguishments of debt of \$54 in fiscal year 2010. In addition, the Company incurred charges of \$606 in fiscal year 2011 primarily for fees associated with an unsuccessful debt refinancing.

Consolidated Equity in Earnings of Unconsolidated Affiliates

Earnings from the Company's unconsolidated equity affiliates were \$24,352 in fiscal year 2011 compared to \$11,693 in fiscal year 2010. The Company's 34% share of PAL's earnings increased from \$11,605 in fiscal year 2010 to \$22,655 in fiscal year 2011 primarily due to improved economic conditions, increased sales volumes, and the timing of the recognition of income related to the economic assistance benefits. The remaining increase relates to the improved performance of UNF and UNF America which was primarily driven by increased volumes and capacity utilization.

Consolidated Income Taxes

The components of income (loss) before income taxes consist of the following:

	For the Fiscal Years Ended	
	June 26, 2011	June 27, 2010
United States	\$ 14,737	\$ (4,399)
Foreign	17,685	22,770
	<u>\$ 32,422</u>	<u>\$ 18,371</u>

The components of the (benefit) provision for income taxes consist of the following:

	For the Fiscal Years Ended	
	June 26, 2011	June 27, 2010
Federal	\$ 3	\$ (48)
Foreign	7,330	7,734
Income tax provision	<u>\$ 7,333</u>	<u>\$ 7,686</u>

The Company recognized income tax expense at an effective tax rate of 22.6% and 41.8% for fiscal years 2011 and 2010, respectively. The lower effective tax rate for 2011 compared to the statutory rate of 35% is due to the reduction in the Company's valuation allowance in fiscal year 2011, partially offset by taxes against repatriated foreign earnings. During fiscal year 2011, the Company changed its indefinite reinvestment assertion related to the future repatriation of UDB earnings and profits by \$26,630.

The Company had a valuation allowance of \$30,164 and \$39,988 as of June 26, 2011 and June 27, 2010, respectively. The \$9,824 net decrease in fiscal year 2011 resulted primarily from a decrease in temporary tax differences, the effects of the change in the indefinite reinvestment assertion, and a utilization of state and federal net operating loss carryforwards.

Consolidated Net Income

Net income for fiscal year 2011 was \$25,089, or \$1.25 per basic share, compared to net income of \$10,685, or \$0.53 per basic share, for the prior fiscal year. The Company's increased profitability was due primarily to higher sales volumes over the prior fiscal year, improved operational efficiencies, decreased SG&A expenses, and increased earnings from the Company's unconsolidated affiliates.

Consolidated Adjusted EBITDA

Adjusted EBITDA for fiscal year 2011 increased \$5,203 versus fiscal year 2010. As discussed above, consolidated gross profit increased \$1,401 while SG&A decreased \$3,275. The differences between the aforementioned changes in gross profit and SG&A expenses and the Company's key performance Adjusted EBITDA metric are primarily related to start-up costs, non-cash compensation charges, provision (benefit) for bad debt, other operating (income) expense items and depreciation.

Liquidity and Capital Resources

The Company's primary capital requirements are for service of indebtedness, debt repayment, working capital and capital expenditures. The Company's primary sources of capital are cash generated from operations and amounts available under its ABL Revolver. For the fiscal year ended June 24, 2012, cash generated from operations was \$43,309 and as of June 24, 2012, excess availability under the ABL Revolver was \$37,122.

As of June 24, 2012, all of the Company's long-term debt obligations were guaranteed by domestic subsidiaries while a substantial portion of the Company's cash and cash equivalents are attributable to foreign subsidiaries. The following table presents a summary of the Company's cash, liquidity, working capital and debt obligations for the U.S., Brazil and other foreign operations as of June 24, 2012:

	U.S.	Brazil	All Others	Total
Cash and cash equivalents	\$ 1,078	\$ 2,466	\$ 7,342	\$ 10,886
Borrowings available under ABL Revolver	37,122	—	—	37,122
Liquidity	<u>\$ 38,200</u>	<u>\$ 2,466</u>	<u>\$ 7,342</u>	<u>\$ 48,008</u>
Working capital	\$ 94,390	\$ 49,609	\$ 22,486	\$ 166,485
Long-term debt, including current portion	\$ 121,552	\$ —	\$ —	\$ 121,552

As of June 24, 2012, all the cash and cash equivalents on-hand at the Company's foreign operations were deemed to be permanently reinvested. As of the end of fiscal year 2012, the Company has plans to repatriate approximately \$20,000 of future cash flows generated from its operations in Brazil and has established a deferred tax liability of approximately \$7,000 to reflect the additional income tax that would be due as a result of these current plans. As of June 24, 2012, the \$74,783 of undistributed earnings of the Company's foreign subsidiaries was deemed to be permanently reinvested and any applicable U.S. federal income taxes and foreign withholding taxes have not been provided on these earnings.

Debt Obligations

As of June 24, 2012, the Company's debt obligations consisted of the following:

	June 24, 2012	June 26, 2011
Notes payable	\$ —	\$ 133,722
First Amended Credit Agreement revolving credit facility	—	34,600
ABL Revolver	51,000	—
ABL Term Loan	50,000	—
Term B Loan	20,515	—
Capital lease obligation	37	342
Total debt	<u>\$ 121,552</u>	<u>\$ 168,664</u>

On May 26, 2006, the Company issued \$190,000 of 11.5% senior secured notes ("2014 notes") due May 15, 2014. Concurrent with the issuance of the 2014 notes, the Company amended its then existing senior secured asset-based revolving credit facility which provided for a revolving credit facility of \$100,000 that was scheduled to mature on September 9, 2015.

On May 24, 2012, the Company entered into the ABL Facility with Wells Fargo Bank, N.A. ("Wells Fargo") and Bank of America, N.A. The ABL Facility consists of the \$100,000 ABL Revolver and the \$50,000 ABL Term Loan. In addition, the Company entered into the \$30,000 Term B Loan. The purpose of the new ABL Facility and the Term B Loan was to refinance the Company's existing indebtedness including the redemption of the 2014 notes and to repay and terminate the existing revolver. The ABL Facility and the Term B Loan each have a maturity date of May 24, 2017. The Company has the ability to request that the borrowing capacity of the ABL Revolver be increased to as much as \$150,000.

The ABL Facility is secured by substantially all assets of the Company. The ABL Facility is further secured by a second-priority lien on the Company's membership interest in Parkdale America, LLC ("PAL"). The ABL Facility includes representations and warranties, affirmative and negative covenants, and events of default that are usual and customary for financings of this type. Should excess availability under the ABL Revolver fall below the greater of \$10,000 or 15% of maximum availability, a financial covenant requires the Company to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.0. In addition, the ABL Facility contains provisions restricting certain payments and investments, including a restriction on the payment of dividends and share repurchases. As of June 24, 2012, the Company had a fixed charge coverage ratio of 1.43 to 1.0 and was in compliance with all financial covenants.

The Company's ability to borrow under the ABL Revolver is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. ABL Revolver borrowings bear interest at the London Interbank Offer Rate (the "LIBOR Rate") plus an applicable margin with interest currently being paid on a monthly basis.

Under the terms of the ABL Facility, the Company is required to hedge at least \$50,000 of variable interest rate exposure so long as the outstanding principal of all indebtedness having variable interest rates exceeds \$75,000. The weighted average interest rate for the ABL Revolver as of June 24, 2012, including the effects of all interest rate swaps, was 3.4%.

The ABL Term Loan bears interest at LIBOR plus an applicable margin with interest currently being paid on a monthly basis. The weighted average interest rate for the ABL Term Loan as of June 24, 2012, including the effects of all interest rate swaps, was 3.3%. The ABL Term Loan will be repaid in quarterly scheduled principal installments of \$1,800 commencing on September 1, 2012 and a balloon payment of \$14,000 in May 2017. Subject to certain conditions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date.

The Term B Loan is secured by a first-priority lien on the Company's membership interest in PAL and a second-priority lien on substantially all assets of the Company. The Term B Loan also contains representations and warranties, affirmative and negative covenants and events of default comparable to those included in the ABL Facility. The Term B Loan bears interest at LIBOR plus 7.50% (with a LIBOR floor of 1.25%) with interest payable monthly. The Term B Loan does not amortize and prepayments are only required in certain circumstances. Subject to certain conditions, the Company may prepay the Term B Loan at any time, in whole or in part, with a call premium of 3% during the first year, 2% during the second year, 1% during the third year and at par thereafter.

On June 8, 2012, the Company made a \$6,000 optional prepayment of the Term B Loan and on June 13, 2012, the Company made a \$3,485 mandatory prepayment of the Term B Loan due to the receipt of a PAL after-tax distribution.

The following table presents the scheduled maturities of the Company's ABL Facility and Term B Loan on a fiscal year basis:

	Expected Maturity Date on a Fiscal Year Basis				
	2013	2014	2015	2016	2017
ABL Revolver	\$ —	\$ —	\$ —	\$ —	\$ 51,000
ABL Term Loan	\$ 7,200	\$ 7,200	\$ 7,200	\$ 7,200	\$ 21,200
Term B Loan	\$ —	\$ —	\$ —	\$ —	\$ 20,515

The table above does not take into consideration any optional or mandatory prepayments with respect to distributions from the Company's equity affiliates.

On June 25, 2012, the Company provided notice that it would make a \$4,515 optional prepayment of the Term B Loan. This prepayment was subsequently completed on July 2, 2012.

Further discussion of the terms and conditions of the Company's existing indebtedness is outlined in "Footnote 12. Long-Term Debt" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Working Capital

The following table presents a summary of the components of the Company's Adjusted Working Capital and the reconciliation from Adjusted Working Capital to Working Capital:

	June 24, 2012	June 26, 2011	June 27, 2010
Receivables, net	\$ 99,236	\$ 99,815	\$ 91,053
Inventories	112,750	134,883	111,007
Accounts payable	(48,541)	(42,842)	(40,662)
Accrued expenses (1)	(14,004)	(15,595)	(19,343)
Adjusted Working Capital	149,441	176,261	142,055
Cash	10,886	27,490	42,691
Other current assets	15,125	11,881	7,979
Accrued interest	(398)	(1,900)	(2,429)
Other current liabilities	(8,569)	(763)	(15,832)
Working Capital	\$ 166,485	\$ 212,969	\$ 174,464

(1) Excludes accrued interest

Working capital decreased from \$212,969 as of June 26, 2011 to \$166,485 as of June 24, 2012. This decrease includes a \$17,896 currency effect related to the weakening of the Brazilian Real to the U.S. dollar, of which \$4,172 relates to the effect of currency rate changes on cash and cash equivalents. The decrease in Adjusted Working Capital was primarily attributable to decreased inventories and increased accounts payable. The reductions in inventories were predominantly driven by the 7% decline for on-hand units and increased inventory turnover. The change in accounts payable is attributable to the success of the Company's working capital management programs. The change in receivables consists primarily of decreases in the Company's foreign affiliate receivables due to lower sales volumes and currency translation losses.

Outlook for 2013:

Before considering fluctuations in raw material cost or currency fluctuations, the Company expects no significant changes to Adjusted Working Capital.

Capital Expenditures

In addition to its normal working capital requirements, the Company requires cash to fund capital expenditures. During fiscal year 2012, the Company spent \$6,354 on capital expenditures compared to \$20,539 in the prior year which included a large capital project related to the vertical integration of the Company's Repreve supply chain. The Company estimates its fiscal year 2013 capital expenditures will be approximately \$10,000 to \$12,000, which is inclusive of approximately \$8,000 of maintenance capital expenditures, with the remainder representing capital expenditures focused primarily on improving the Company's flexibility and capabilities to produce PVA products. The Company may incur additional capital expenditures as it pursues new opportunities to expand its production capabilities or to further streamline its manufacturing processes.

Repayments of Debt Obligations

Other than the scheduled maturities and mandatory prepayments of debt required under its existing debt obligations, the Company may, from time to time, elect to repay additional amounts borrowed under the ABL Facility or Term B Loan. Such repayment of debt may come from the operating cash flows of the business or other sources and will depend upon the Company's strategy, prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material. The Company expects to maintain a balance outstanding under its ABL Facility and hedge a substantial amount of the interest rate risk in order to ensure the predictability of cash payments for interest. As a result of the Company's completion of its debt refinancing in May 2012 and the ongoing execution of its deleveraging strategy, the Company expects to continue to reduce the annual fixed carrying cost of its debt.

Liquidity Summary

Historically, the Company has met its working capital, capital expenditures and service of indebtedness requirements from its cash flows from operations. For fiscal year 2012, cash generated from operations was sufficient to cover the Company's working capital needs, capital expenditures and service of indebtedness. For each of the previous three years, before considering the earnings from the Company's unconsolidated equity affiliates, the Company has reported losses in the U.S. from continuing operations while reporting income for its foreign subsidiaries. The Company currently believes that its existing cash balances, cash generated by operations, together with its available credit capacity, will enable the Company to comply with the terms of its indebtedness and meet the foreseeable liquidity requirements. Domestically, the Company's cash balances, cash generated by operations and borrowings available under the ABL Revolver continue to be sufficient to fund its domestic operating activities and cash commitments for its investing and financing activities. For its foreign operations, the Company's existing cash balances and cash generated by operations should provide the needed liquidity to fund its foreign operating activities and any foreign investing activities, such as future capital expenditures.

Cash Provided by Operating Activities

Net cash provided by operating activities consists of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Cash receipts:			
Receipts from customers	\$ 700,379	\$ 701,487	\$ 605,143
Dividends from unconsolidated affiliates	10,616	5,900	3,265
Other receipts	3,733	3,939	4,591
Cash payments:			
Payments to suppliers and other operating cost	541,298	556,519	460,131
Payments for salaries, wages, and benefits	109,444	114,364	101,218
Payments for restructuring and severance	—	1,785	1,823
Payments for interest	16,689	19,292	20,696
Payments for taxes	3,988	7,486	8,550
	<u>\$ 43,309</u>	<u>\$ 11,880</u>	<u>\$ 20,581</u>

Fiscal Year 2012 compared to Fiscal Year 2011

Cash received from customers declined primarily as a result of decreased volumes; consolidated volumes decreased 5.9% while weighted average selling prices increased 4.8% due to higher material costs. The Company received increased cash dividends from its unconsolidated affiliates primarily due to the improved cash from operations for these entities as a result of declines in their invested working capital dollars. Other receipts include interest income and other miscellaneous items. Payments to suppliers decreased as a result of decreased production volumes and the Company's inventory reduction efforts and working capital management programs. Salary, wage and benefit payments declined versus the prior fiscal year primarily due to decreased domestic wage and fringe benefit costs as a result of lower production volumes partially offset by increased salary costs. Interest payments decreased \$2,603 as a result of reductions in both outstanding indebtedness and lower average interest rates. Taxes paid by the Company decreased from \$7,486 to \$3,988 primarily due to the lower profitability of the Company's Brazilian operation.

Fiscal Year 2011 compared to Fiscal Year 2010

Cash received from customers increased 15.9% as a result of increased volumes and selling prices. Consolidated volumes increased 5.9% while weighted average selling prices increased 8.6%. Payments to suppliers increased 20.9% also as a result of increased volumes and rising raw material costs. Salary, wage and benefit payments increased 13.0% due to increased fringe benefit costs related to the timing of bonus payments and retirement plan matching funds. In addition, the Company had 200 additional wage level employees versus the prior year, primarily related to the completion of UCA and the Repreve recycling center. Interest payments decreased \$1,404 as a result of a \$45,000 principal reduction of the Company's 2014 notes of which \$30,000 was financed at a lower rate through borrowings under the Company's prior revolving credit facility. Restructuring and severance payments decreased 2.1% as the Company completed its reorganization of machinery involving certain of its polyester facilities and made its final payments on its previously accrued severance commitment. Taxes paid by the Company decreased from \$8,550 to \$7,486 primarily as a result of a decrease in tax liabilities related to the Company's Brazilian subsidiary. The Company received increased cash dividends as a result of the improved earnings of PAL, UNF and UNF America. Other cash receipts decreased in fiscal year 2011 primarily due to the one time sale of \$1,400 of nitrogen credits during fiscal year 2010 and currency exchange gains. Other receipts include miscellaneous items, currency exchange and interest income.

Cash Used in Investing Activities and Financing Activities

The Company utilized \$6,858 for net investing activities and utilized \$49,834 in net financing activities during fiscal year 2012. The Company spent \$6,354 on capital expenditures and reduced its overall long-term debt by \$47,112. In addition, the Company refinanced its debt at a cost of \$3,127.

The Company utilized \$17,396 for net investing activities and utilized \$14,029 in net financing activities during fiscal year 2011. In addition to the \$20,539 cash spent to fund capital expenditures the Company reduced its total long-term debt by \$10,726 at a premium cost of \$2,587. The Company also refinanced its prior revolving credit facility at a cost of \$825. The primary offset to these expenditures was proceeds of \$3,241 from the return of split dollar life insurance premiums.

Contractual Obligations

The Company's significant long-term obligations as of June 24, 2012 consist of the following:

Description of Commitment	Cash Payments Due By Period				
	Total	Less Than 1 Year	1-3 years	3-5 years	More than 5 years
Long-term debt	\$ 121,515	\$ 7,200	\$ 14,400	\$ 99,915	\$ —
Capital lease obligation	37	37	—	—	—
Other long-term obligations (1)	3,917	600	716	72	2,529
Subtotal	125,469	7,837	15,116	99,987	2,529
Letters of credit	2,175	2,175	—	—	—
Interest on long-term debt and other obligations	20,945	4,836	8,562	7,547	—
Operating leases	5,451	1,433	2,375	1,329	314
Purchase obligations (2)	39,791	15,289	21,021	3,481	—
Total cash payments by period	\$ 193,831	\$ 31,570	\$ 47,074	\$ 112,344	\$ 2,843

(1) Other long-term obligations include other noncurrent liabilities for certain retirement and tax obligations.

(2) Purchase obligations primarily consist of utility, software, and other service agreements.

For the purposes of this table, purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

As of June 24, 2012, the Company's open purchase orders totaled approximately \$47,858 and are expected to be settled in fiscal year 2013. These open purchase orders are in the ordinary course of business for the procurement of (i) selected finished goods for resale sourced from third-party suppliers, (ii) raw materials used in production, and (iii) certain consumables and outsourced services used in the Company's manufacturing processes.

Contingencies

Environmental

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA. The land for the Kinston site was leased pursuant to a 99 year ground lease ("Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency and the North Carolina Department of Environment and Natural Resources ("DENR") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont. This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site. However, the Company continues to own a satellite service facility acquired in the INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Recent Accounting Pronouncements

There have been no newly issued or newly applicable accounting pronouncements that have, or are expected to have, a significant impact on the Company's financial statements.

Off Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimate from quarter to quarter could materially impact the presentation of the financial statements. The following discussion provides further information about accounting policies critical to the Company and should be read in conjunction with "Footnote 2. Summary of Significant Accounting Policies" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Receivables Reserves. An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims. The collectability of accounts receivable is based on a combination of factors including the aging of accounts, historical write off experience, present economic conditions such as customer bankruptcy filings and the financial health of specific customers and market sectors. Since losses depend to a large degree on future economic conditions, and the health of the textile industry, a significant level of judgment is required to arrive at the allowance for uncollectible accounts which is established based on percentages applied to accounts aged for certain periods of time, supplemented by specific reserves for certain customer accounts where collection is no longer certain. Establishing reserves for yarn claims and uncollectible accounts requires management judgment and estimates. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates and assumptions it uses to assess allowance for losses. Certain unexpected events such as a customer bankruptcy filing could have a material impact on the Company's results of operations. The Company has not made any material changes to the methodology used in establishing its accounts receivable loss reserves during the past three fiscal years. A plus or minus 10% change in its aged accounts receivable reserve percentages would not have been material to the Company's financial statements for the past three years.

Inventory Reserves. Inventory reserves are established based on percentage markdowns applied to items aged for certain time periods. Specific reserves are established based on a determination of the obsolescence of the inventory and whether the inventory value exceeds amounts to be recovered through expected sales prices, less selling costs. Estimating sales prices, establishing markdown percentages and evaluating the condition of the inventories require judgments and estimates, which may impact the ending inventory valuation and gross margins. The Company uses current and historical knowledge to record reasonable estimates of its markdown percentages and expected sales prices. The Company believes it is unlikely that differences in actual demand or selling prices from those projected by management would have a material impact on the Company's financial condition or results of operations. The Company has not made any material changes to the methodology used in establishing its inventory loss reserves during the past three fiscal years. A plus or minus 10% change in its aged inventory markdown percentages would not have been material to the Company's financial statements for the past three years.

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held for sale, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required to determine the fair value, the disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. For assets held and used, impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of loss to be recognized. The impairment loss is determined as the amount the carrying value of the asset or asset group exceeds the estimated fair value, measured by future discounted cash flows. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. The Company's judgment regarding the existence of circumstances that indicate the potential impairment of an asset's carrying value is based on several factors including, but not limited to, changes in business environment, a decline in operating cash flows or a decision to close a manufacturing facility. The variability of these factors depends on a number of conditions, including uncertainty about future events and general economic conditions.

Impairment of Investment in Unconsolidated Affiliates. The Company evaluates its investments in unconsolidated affiliates whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluates the ability of an affiliate to sustain sufficient earnings and cash flows to justify its carrying value. Reductions in an affiliate's cash flows that are other than temporary and indicative of a loss of investment value are assessed for impairment purposes. For the fiscal year ended June 24, 2012, the Company determined there were no "other-than-temporary" impairments related to the carrying value of its investments.

Valuation Allowance for Deferred Tax Assets. The Company currently has a valuation allowance against certain of its net deferred tax assets in the U.S. and foreign subsidiaries due to negative evidence concerning the realization of those deferred tax assets. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences reverse. Management considers the scheduled reversal of taxable temporary differences, taxable income in carryback periods, projected future taxable income and tax planning strategies in making this assessment. The Company reviews its estimates of future taxable income on a quarterly basis to assess if the need for a valuation allowance exists. The Company continually evaluates both positive and negative evidence to determine whether and when the valuation allowance, or a portion thereof, should be released. A release of the valuation allowance could have a material effect on earnings in the period of release. The valuation allowance as of June 24, 2012 was \$13,911.

Management and the Board's Audit Committee discussed the development, selection and disclosure of all of the critical accounting estimates described above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risks associated with changes in interest rates, fluctuation in currency exchange rates and raw material and commodity risks which may adversely affect its financial position, results of operations and cash flows. The Company does not enter into derivative financial instruments for trading purposes nor is it a party to any leveraged financial instruments.

Interest Rate Risk: The Company is exposed to interest rate risk through its borrowing activities. The Company has borrowings under its ABL Revolver, an ABL Term Loan and a Term B Loan, which all have variable rates of interest. The Company hedges a significant portion of its interest rate variability on its ABL Revolver and ABL Term Loan using interest rate swaps. As of June 24, 2012, \$85,000 of the Company's \$121,552 of debt obligations are hedged through interest rate swaps with the \$20,515 outstanding under the Term B Loan subject to a LIBOR floor of 1.25%. After giving effect to these arrangements, the Company's sensitivity analysis shows that a 50-basis point increase in the LIBOR rate as of June 24, 2012 would result in an increase of \$80 in annual cash interest expense.

Currency Exchange Rate Risk: The Company conducts its business in various foreign countries and in various foreign currencies. Each of the Company's operations may enter into transactions (sales, purchases, or fixed purchase commitments, etc.) that are denominated in currencies other than the operation's functional currency and subject the Company to foreign currency exchange risk. The Company may enter into forward currency contracts to hedge this exposure. For sales transactions such as these, the Company typically hedges 50% to 75% of the sales value of these orders by using forward currency contracts. The maturity dates of the forward contracts are intended to match the anticipated collection dates of the receivables and as of June 24, 2012, the latest maturity date was in July 2012. The Company may also enter into forward currency contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of June 24, 2012, the Company does not have a significant amount of exposure related to forward currency contracts.

As of June 24, 2012, the Company's subsidiaries outside the U.S., whose functional currency is other than the U.S. dollar, held approximately 18.8% of consolidated total assets. The Company does not enter into foreign currency derivatives to hedge its net investment in its foreign operations. As of June 24, 2012, \$9,808 of the Company's cash and cash equivalents were held outside the U.S., of which approximately \$2,984 were held in U.S. dollar equivalents.

More information regarding the Company's derivative financial instruments as of year-end is provided in "Footnote 20. Derivative Financial Instruments" to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Raw Material and Commodity Risks: A significant portion of the Company's raw materials and energy costs are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products and energy costs are volatile and dependent on global supply and demand dynamics, including certain geo-political risks. The Company does not use financial instruments to hedge its exposure to changes in these costs. The costs of the primary raw materials that the Company uses throughout all of its operations are generally traded on U.S. dollar pricing and are purchased at market or at fixed prices that are established with individual vendors as part of the purchase process for quantities expected to be consumed in the ordinary course of business.

Other Risks: The Company is also exposed to political risk, including changing laws and regulations governing international trade such as quotas, tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Market Capitalization versus Book Value: As of the end of fiscal year 2012, the Company's book value was \$14.47 per share. During fiscal year 2012, the Company's shares of common stock traded at a high of \$14.74 and at a low of \$7.01 per share. Due to the disparity between the share values, the Company periodically considers the recoverability of its assets and does not believe any of its assets to be impaired at this time.

Item 8. Financial Statements and Supplementary Data

The Company's financial statements required by this item are included on pages F-1 through F-38 of this Annual Report on Form 10-K. See Item 15(a) (1) for a listing of financial statements provided.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* As of June 24, 2012, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Management's annual report on internal control over financial reporting.* Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of June 24, 2012, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on that assessment, management concluded that, as of June 24, 2012, the Company's internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework*.

(c) *Attestation report of the registered public accounting firm.* The effectiveness of the Company's internal control over financial reporting as of June 24, 2012 has been audited by KPMG LLP, an independent registered public accounting firm. Their report, which appears in "Item 8. Financial Statements and Supplementary Data" included herein, expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of June 24, 2012.

(d) *Changes in internal control over financial reporting.* During the Company's fourth quarter of fiscal year 2012, there has been no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to executive officers is set forth above in Part I under "Item 1C. Executive Officers of the Registrant." The other information required by this item will be set forth in the Company's definitive proxy statement for its 2012 Annual Meeting of Shareholders to be filed within 120 days after June 24, 2012 (the "Proxy Statement") under the headings "Proposal 1: Election of Directors," "Nominees for Election as Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Committees of the Board of Directors," and "Corporate Governance Matters—Audit Committee Financial Experts," and is incorporated herein by reference.

The information required by this item with respect to the Audit Committee will be set forth in the Proxy Statement under the headings “Committees of the Board of Directors” and “Corporate Governance Matters – Audit Committee Financial Expert” and is incorporated herein by reference.

Code of Business Conduct and Ethics; Ethical Business Conduct Policy Statement

The Company has adopted a written Code of Business Conduct and Ethics applicable to members of the Board of Directors and Executive Officers, including the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer (the “Code of Business Conduct and Ethics”). The Company has also adopted the Ethical Business Conduct Policy Statement (the “Policy Statement”) that applies to all employees. The Code of Business Conduct and Ethics and the Policy Statement are available on the Company’s website at www.unifi.com, under the “Investor Relations” section and print copies are available without charge to any shareholder that requests a copy by contacting Mr. Charles McCoy at Unifi, Inc., P.O. Box 19109, Greensboro, North Carolina 27419-9109. Any amendments to or waivers of the Code of Business Conduct and Ethics applicable to the Company’s Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer will be disclosed on the Company’s website promptly following the date of such amendment or waiver.

Item 11. Executive Compensation

The information required by this item will be set forth in the Proxy Statement under the headings “Executive Compensation,” “Directors’ Compensation,” “Compensation Committee Interlocks and Insider Participation in Compensation Decisions,” “Compensation Committee Report,” and “Compensation Discussion and Analysis” and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table presents information as of June 24, 2012 regarding the number of shares of common stock that may be issued under the Company’s equity compensation plans:

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	1,718	\$ 7.43	1,101
Equity compensation plans not approved by shareholders	—	—	—
Total	1,718	\$ 7.43	1,101

On October 29, 2008, the shareholders of the Company approved the 2008 Unifi, Inc. Long-Term Incentive Plan (“2008 LTIP”). The 2008 LTIP authorized the issuance of up to 2,000 shares of common stock pursuant to the grant or exercise of stock options, including incentive stock options, non-qualified stock options and restricted stock, but not more than 1,000 shares may be issued as restricted stock. During fiscal year 2012, 127 stock options and 113 restricted stock units were issued. Any option or restricted stock that is forfeited or canceled may be reissued under the terms of the plan and is included in the number of securities remaining available for future issuance in column (c) in the above table.

All per share prices, share amounts and computations using such amounts have been retroactively adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.

The Company will provide other information that is responsive to this Item 12 in its Proxy Statement under the headings “Information Relating to Principal Security Holders” and “Beneficial Ownership of Common Stock by Directors and Executive Officers.” That information is incorporated in this Item 12 by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be set forth in the Proxy Statement under the headings “Transactions with Related Persons, Promoters and Certain Control Persons,” and “Corporate Governance Matters – Director Independence” and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be set forth in the Proxy Statement under the heading “Proposal 3: Ratification of the Independent Registered Accounting Firm – Audit Fees” and “- Audit Committee Pre-Approval Policies and Procedures” and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The financial statements and schedules listed in the accompanying Index to Consolidated Financial Statements on page F-1 are filed as part of this Report.

2. Financial Statement Schedules

Parkdale America, LLC (“PAL”) Financial Statements as of December 30, 2012 and December 31, 2011 and for the Years Ended December 30, 2012, December 31, 2011, and January 1, 2011.

PAL is an unconsolidated joint venture in which the Company holds a 34% equity ownership interest. PAL’s current fiscal year end is December 30, 2012, which is more than 90 days after the Company’s fiscal year end date of June 24, 2012. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Securities Exchange Act of 1934, as amended, the Company will file the required financial statements and related notes of PAL via an amendment to this Annual Report on Form 10-K on or before March 29, 2013.

3. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1(i)(a)	Restated Certificate of Incorporation of Unifi, Inc., as amended (incorporated by reference to Exhibit 3a to the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2004 (Reg. No. 001-10542) filed on September 17, 2004).
3.1(i)(b)	Certificate of Change to the Certificate of Incorporation of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
3.1 (i)(c)	Certificate of Amendment to Restated Certificate of Incorporation of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K (Reg No. 001-10542) dated November 3, 2010).
3.1 (ii)	Restated By-laws of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) dated December 20, 2007).
4.1	Registration Rights Agreement dated January 1, 2007 between Unifi, Inc. and Dillon Yarn Corporation (incorporated by reference from Exhibit 7.1 to the Company’s Schedule 13D dated January 2, 2007).
4.2	Credit Agreement, by and among Wells Fargo Bank, N.A., as administrative agent, sole lead arranger, and sole book runner, the lenders that are parties thereto, as the lenders, and Unifi, Inc. and certain of its domestic subsidiaries, as borrowers, dated as of May 24, 2012 (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
4.3	Guaranty and Security Agreement, dated as of May 24, 2012, among the Grantors from time to time party thereto and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
4.4	Trademark Security Agreement, dated as of May 24, 2012, among the Grantors from time to time party thereto and Wells Fargo Bank, N.A., as agent (incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
4.5	Patent Security Agreement, dated as of May 24, 2012, among the Grantors from time to time party thereto and Wells Fargo Bank, N.A., as agent (incorporated by reference to Exhibit 4.4 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).

**Exhibit
Number**

Description

- 4.6 Intercreditor Agreement, dated as of May 24, 2012, by and between Wells Fargo Bank, N.A., in its capacity as agent, and Wilmington Trust, National Association, as administrative agent, as acknowledged by Unifi, Inc., Unifi Manufacturing, Inc., Unifi Sales & Distribution, Inc., Spanco International, Inc., and Unifi Equipment Leasing, LLC (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
- 4.7 Credit Agreement, by and among Wilmington Trust, National Association, as administrative agent, the lenders that are party thereto, as the lenders, and Unifi, Inc. and certain of its domestic subsidiaries, as borrowers, dated as of May 24, 2012.
- 4.8 Guaranty and Security Agreement, dated as of May 24, 2012, among the Grantors from time to time party thereto and Wilmington Trust, National Association, as administrative agent (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
- 4.9 Trademark Security Agreement, dated as of May 24, 2012, among the Grantors from time to time party thereto and Wilmington Trust, National Association, as agent (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
- 4.10 Patent Security Agreement, dated as of May 24, 2012, among the Grantors from time to time party thereto and Wilmington Trust, National Association, as agent (incorporated by reference to Exhibit 4.9 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
- 10.1 *1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-43158) filed on August 7, 2000).
- 10.2 *Form of Option Agreement for Incentive Stock Options granted under the 1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
- 10.3 *Unifi, Inc. Supplemental Key Employee Retirement Plan, effective July 26, 2006 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated July 25, 2006).
- 10.4 *Change of Control Agreement between Unifi, Inc. and Thomas H. Caudle, Jr., effective August 14, 2009 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 14, 2009).
- 10.5 *Change of Control Agreement between Unifi, Inc. and Charles F. McCoy, effective August 14, 2009 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 14, 2009).
- 10.6 *Change of Control Agreement between Unifi, Inc. and Ronald L. Smith, effective August 14, 2009 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 14, 2009).
- 10.7 *Change of Control Agreement between Unifi, Inc. and R. Roger Berrier, Jr., effective August 14, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 14, 2009).
- 10.8 *Change of Control Agreement between Unifi, Inc. and William L. Jasper, effective August 14, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 14, 2009).
- 10.9 Sales and Services Agreement dated January 1, 2007 between Unifi, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-3 (Reg. No. 333-140580) filed on February 9, 2007).

Exhibit Number	Description
10.10	First Amendment to Sales and Service Agreement dated January 1, 2007 between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (Reg. No. 333-140580) filed on December 3, 2008).
10.11	*2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-140590) filed on December 12, 2008).
10.12	*Form of Option Agreement for Incentive Stock Options granted under the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarterly period ended December 28, 2008 (Reg. No. 001-10542) filed on February 6, 2009).
10.13	*Amendment to the Unifi, Inc. Supplemental Key Employee Retirement Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) filed on December 31, 2008).
10.14	Yarn Purchase Agreement between Unifi Manufacturing, Inc. and Hanesbrands, Inc. effective November 6, 2009 (incorporated by reference from Exhibit 32.2 to the Company's current report on Form 8-K (Reg. No. 001-10542) dated November 6, 2009) (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.15	Second Amendment to Sales and Service Agreement between Unifi, Inc. and Dillon Yarn Corporation, effective January 1, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated December 11, 2009).
10.16	*Form of Restricted Stock Unit Agreement for restricted stock units granted under the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 26, 2010 (Reg. No. 001-10542) filed on February 4, 2011).
10.17	*Unifi, Inc. Director Deferred Compensation Plan, dated as of December 14, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 26, 2010 (Reg. No. 001-10542) filed on February 4, 2011).
10.18	Third Amendment to Sales and Service Agreement, executed on December 20, 2010, by Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated December 20, 2010).
10.19	*Form of Restricted Stock Unit Agreement for Employees for restricted stock units granted under the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 25, 2011 (Reg. No. 001-10542) filed on November 4, 2011).
10.20	Fourth Amendment to Sales and Service Agreement, executed on December 19, 2011, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated December 19, 2011).
10.21	*Amendment No. 1 to the Change in Control Agreement for William L. Jasper effective December 31, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated January 3, 2012).
10.22	*Amendment No. 1 to the Change in Control Agreement for R. Roger Berrier, Jr., effective December 31, 2011 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated January 3, 2012).
10.23	*Amendment No. 1 to the Change in Control Agreement for Thomas H. Caudle, Jr. effective December 31, 2011 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated January 3, 2012).

Exhibit Number	Description
10.24	*Amendment No. 1 to the Change in Control Agreement for Charles F. McCoy effective December 31, 2011 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated January 3, 2012).
10.25	*Amendment No. 1 to the Change in Control Agreement for Ronald L. Smith effective December 31, 2011 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated January 3, 2012).
10.26	Deposit Account Control Agreement, dated as of May 24, 2012, among Unifi Manufacturing, Inc., Wells Fargo Bank, N.A., and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated May 24, 2012).
14.1	Unifi, Inc. Ethical Business Conduct Policy Statement as amended July 22, 2004, filed as Exhibit (14a) with the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2004 (Reg. No. 001-10542), which is incorporated herein by reference.
14.2	Unifi, Inc. Code of Business Conduct & Ethics adopted on July 22, 2004, filed as Exhibit (14b) with the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2004 (Reg. No. 001-10542), which is incorporated herein by reference.
21.1	List of Subsidiaries.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1	Chief Executive Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Unifi, Inc.'s Annual Report on Form 10-K for the annual period ended June 24, 2012, formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive (Loss) Income, (iv) the Consolidated Statements in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.

*NOTE: These Exhibits are management contracts or compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Unifi, Inc.

Date: August 30, 2012 By: /s/ WILLIAM L. JASPER
William L. Jasper
*Chairman of the Board and
Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ <u>WILLIAM L. JASPER</u> William L. Jasper	Chairman of the Board and Chief Executive Officer and Director (Principal Executive Officer)	<u>August 30, 2012</u>
/s/ <u>RONALD L. SMITH</u> Ronald L. Smith	Vice President and Chief Financial Officer (Principal Financial Officer)	<u>August 30, 2012</u>
/s/ <u>JAMES M. OTTERBERG</u> James M. Otterberg	Chief Accounting Officer (Principal Accounting Officer)	<u>August 30, 2012</u>
/s/ <u>R. ROGER BERRIER, JR.</u> R. Roger Berrier, Jr.	President and Chief Operating Officer and Director	<u>August 30, 2012</u>
/s/ <u>WILLIAM J. ARMFIELD, IV</u> William J. Armfield, IV	Director	<u>August 30, 2012</u>
/s/ <u>ARCHIBALD COX, JR.</u> Archibald Cox, Jr.	Director	<u>August 30, 2012</u>
/s/ <u>KENNETH G. LANGONE</u> Kenneth G. Langone	Director	<u>August 30, 2012</u>
/s/ <u>GEORGE R. PERKINS, JR.</u> George R. Perkins, Jr.	Director	<u>August 30, 2012</u>
/s/ <u>SUZANNE M. PRESENT</u> Suzanne M. Present	Director	<u>August 30, 2012</u>
/s/ <u>WILLIAM M. SAMS</u> William M. Sams	Director	<u>August 30, 2012</u>
/s/ <u>G. ALFRED WEBSTER</u> G. Alfred Webster	Director	<u>August 30, 2012</u>
/s/ <u>MITCHEL WEINBERGER</u> Mitchel Weinberger	Director	<u>August 30, 2012</u>

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

UNIFI, INC.

Consolidated Financial Statements:

Reports of Independent Registered Public Accounting Firms	F-2
Consolidated Balance Sheets as of June 24, 2012 and June 26, 2011	F-5
Consolidated Statements of Income for the fiscal years ended June 24, 2012, June 26, 2011 and June 27, 2010	F-6
Consolidated Statements of Comprehensive (Loss) Income for the fiscal years ended June 24, 2012, June 26, 2011 and June 27, 2010	F-7
Consolidated Statements of Shareholders' Equity for the fiscal years ended June 24, 2012, June 26, 2011 and June 27, 2010	F-8
Consolidated Statements of Cash Flows for the fiscal years ended June 24, 2012, June 26, 2011 and June 27, 2010	F-9
Notes to Consolidated Financial Statements	F-10

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Unifi, Inc.:

We have audited the accompanying consolidated balance sheets of Unifi, Inc. and subsidiaries as of June 24, 2012 and June 26, 2011, and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the two-year period ended June 24, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unifi, Inc. and subsidiaries as of June 24, 2012 and June 26, 2011, and the results of their operations and their cash flows for each of the years in the two-year period ended June 24, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Unifi Inc. and subsidiaries' internal control over financial reporting as of June 24, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 30, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Greensboro, North Carolina
August 30, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Unifi, Inc.:

We have audited Unifi, Inc. and subsidiaries' internal control over financial reporting as of June 24, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Unifi, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Unifi, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 24, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Unifi, Inc. and subsidiaries as of June 24, 2012 and June 26, 2011, and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the two-year period ended June 24, 2012, and our report dated August 30, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Greensboro, North Carolina
August 30, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Unifi, Inc.

We have audited the accompanying consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for the year ended June 27, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Unifi, Inc. for the year ended June 27, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Greensboro, North Carolina
September 10, 2010

CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share amounts)

	June 24, 2012	June 26, 2011
ASSETS		
Cash and cash equivalents	\$ 10,886	\$ 27,490
Receivables, net	99,236	99,815
Inventories	112,750	134,883
Income taxes receivable	596	578
Deferred income taxes	7,807	5,712
Other current assets	6,722	5,591
Total current assets	<u>237,997</u>	<u>274,069</u>
Property, plant and equipment, net	127,090	151,027
Deferred income taxes	1,290	—
Intangible assets, net	9,771	11,612
Investments in unconsolidated affiliates	95,763	91,258
Other non-current assets	10,322	9,410
Total assets	<u>\$ 482,233</u>	<u>\$ 537,376</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 48,541	\$ 42,842
Accrued expenses	14,402	17,495
Income taxes payable	1,332	421
Current portion of long-term debt	7,237	342
Total current liabilities	<u>71,512</u>	<u>61,100</u>
Long-term debt	114,315	168,322
Other long-term liabilities	4,832	4,007
Deferred income taxes	794	4,292
Total liabilities	<u>191,453</u>	<u>237,721</u>
Commitments and contingencies		
Common stock, \$0.10 par (500,000,000 shares authorized, 20,090,094 and 20,080,253 shares outstanding)	2,009	2,008
Capital in excess of par value	34,723	32,599
Retained earnings	252,763	241,272
Accumulated other comprehensive income	28	23,776
Total Unifi, Inc. shareholders' equity	289,523	299,655
Non-controlling interest	1,257	—
Total shareholders' equity	<u>290,780</u>	<u>299,655</u>
Total liabilities and shareholders' equity	<u>\$ 482,233</u>	<u>\$ 537,376</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except per share amounts)

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Net sales	\$ 705,086	\$ 712,812	\$ 622,618
Cost of sales	650,690	638,160	549,367
Gross profit	54,396	74,652	73,251
Selling, general and administrative expenses	43,482	44,659	47,934
Provision (benefit) for bad debts	211	(304)	123
Other operating expense (income), net	2,071	1,605	(194)
Operating income	8,632	28,692	25,388
Interest income	(1,921)	(2,511)	(3,125)
Interest expense	16,073	19,190	21,889
Loss (gain) on extinguishment of debt	3,203	3,337	(54)
Equity in earnings of unconsolidated affiliates	(19,740)	(24,352)	(11,693)
Other non-operating expense, net	2,168	606	—
Income before income taxes	8,849	32,422	18,371
(Benefit) provision for income taxes	(1,979)	7,333	7,686
Net income including non-controlling interest	\$ 10,828	\$ 25,089	\$ 10,685
Less: net (loss) attributable to non-controlling interest	(663)	—	—
Net income attributable to Unifi, Inc.	\$ 11,491	\$ 25,089	\$ 10,685
Net income attributable to Unifi, Inc. per common share:			
Basic	\$ 0.57	\$ 1.25	\$ 0.53
Diluted	\$ 0.56	\$ 1.22	\$ 0.52

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(amounts in thousands)

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Net income including non-controlling interest	\$ 10,828	\$ 25,089	\$ 10,685
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(22,813)	14,702	7,113
Loss on cash flow hedges	(1,174)	(1,054)	—
Other comprehensive (loss) income before income taxes	(23,987)	13,648	7,113
Income tax benefit provided on cash flow hedges	239	—	—
Other comprehensive (loss) income, net	(23,748)	13,648	7,113
Comprehensive (loss) income including non-controlling interest	\$ (12,920)	\$ 38,737	\$ 17,798
Less: comprehensive (loss) attributable to non-controlling interest	(663)	—	—
Comprehensive (loss) income attributable to Unifi, Inc.	<u>\$ (12,257)</u>	<u>\$ 38,737</u>	<u>\$ 17,798</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands)

	<u>Shares</u>	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Unifi, Inc. Shareholders' Equity</u>	<u>Non- controlling Interest</u>	<u>Total Shareholders ' Equity</u>
Balance June 28, 2009	20,685	\$ 2,069	\$ 34,387	\$ 205,498	\$ 3,015	\$ 244,969	\$ —	\$ 244,969
Purchase of stock	(628)	(63)	(4,932)	—	—	(4,995)	—	(4,995)
Share-based compensation	—	—	2,124	—	—	2,124	—	2,124
Other comprehensive income	—	—	—	—	7,113	7,113	—	7,113
Net income	—	—	—	10,685	—	10,685	—	10,685
Balance June 27, 2010	20,057	\$ 2,006	\$ 31,579	\$ 216,183	\$ 10,128	\$ 259,896	\$ —	\$ 259,896
Purchase of stock	—	—	(1)	—	—	(1)	—	(1)
Options exercised	19	2	144	—	—	146	—	146
Share-based compensation	—	—	875	—	—	875	—	875
Stock option tax benefit	—	—	2	—	—	2	—	2
Conversion of restricted stock units	4	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	13,648	13,648	—	13,648
Net income	—	—	—	25,089	—	25,089	—	25,089
Balance June 26, 2011	20,080	\$ 2,008	\$ 32,599	\$ 241,272	\$ 23,776	\$ 299,655	\$ —	\$ 299,655
Options exercised	10	1	70	—	—	71	—	71
Share-based compensation	—	—	2,054	—	—	2,054	—	2,054
Other comprehensive loss, net of tax	—	—	—	—	(23,748)	(23,748)	—	(23,748)
Acquisition, cost	—	—	—	—	—	—	1,000	1,000
Contributions from non-controlling interest	—	—	—	—	—	—	920	920
Net income (loss)	—	—	—	11,491	—	11,491	(663)	10,828
Balance June 24, 2012	<u>20,090</u>	<u>\$ 2,009</u>	<u>\$ 34,723</u>	<u>\$ 252,763</u>	<u>\$ 28</u>	<u>\$ 289,523</u>	<u>\$ 1,257</u>	<u>\$ 290,780</u>

All share amounts and computations using such amounts have been retroactively adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Cash and cash equivalents at beginning of year	\$ 27,490	\$ 42,691	\$ 42,659
<i>Operating activities:</i>			
Net income including non-controlling interest	10,828	25,089	10,685
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:			
Equity in earnings of unconsolidated affiliates	(19,740)	(24,352)	(11,693)
Dividends received from unconsolidated affiliates	10,616	5,900	3,265
Depreciation and amortization expense	27,135	25,977	27,416
Loss on extinguishment of debt	3,203	3,337	(54)
Loss on previously held equity interest	3,656	—	—
Non-cash compensation expense, net	2,382	1,394	2,555
Deferred income taxes	(6,933)	327	(652)
Other	523	569	993
Changes in assets and liabilities, excluding effects of foreign currency adjustments:			
Receivables, net	(4,496)	(5,877)	(11,682)
Inventories	13,140	(19,269)	(19,221)
Other current assets and income taxes receivable	(1,650)	977	(407)
Accounts payable and accrued expenses	3,698	(2,803)	19,569
Income taxes payable	947	611	(193)
Net cash provided by operating activities	<u>43,309</u>	<u>11,880</u>	<u>20,581</u>
<i>Investing activities:</i>			
Capital expenditures	(6,354)	(20,539)	(13,112)
Investments in unconsolidated affiliates	(360)	(867)	(4,800)
Acquisition, net of cash acquired	(356)	—	—
Return of capital from unconsolidated affiliate	—	500	—
Proceeds from sale of assets	507	269	1,717
Proceeds from return of split dollar life insurance premiums	14	3,241	—
Change in restricted cash	—	—	7,508
Other	(309)	—	(238)
Net cash used in investing activities	<u>(6,858)</u>	<u>(17,396)</u>	<u>(8,925)</u>
<i>Financing activities:</i>			
Payments of notes payable	(134,010)	(47,587)	(435)
Proceeds from revolving credit facilities	160,600	193,225	—
Payments on revolving credit facilities	(144,200)	(158,625)	(7,508)
Proceeds from issuance of term loans	80,000	—	—
Payments on term loans	(9,769)	—	—
Payments of debt financing fees	(3,127)	(825)	—
Purchase and retirement of Company stock	—	(1)	(4,995)
Contributions from non-controlling interest	920	—	—
Other	(248)	(216)	(368)
Net cash used in financing activities	<u>(49,834)</u>	<u>(14,029)</u>	<u>(13,306)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,221)	4,344	1,682
Net (decrease) increase in cash and cash equivalents	<u>(16,604)</u>	<u>(15,201)</u>	<u>32</u>
Cash and cash equivalents at end of year	<u>\$ 10,886</u>	<u>\$ 27,490</u>	<u>\$ 42,691</u>

See accompanying notes to Consolidated Financial Statements.

Unifi, Inc.
Notes to Consolidated Financial Statements

1. Background

Overview. Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, the “Company” or “Unifi”) is a publicly-traded, multi-national manufacturing company. The Company processes and sells high-volume commodity products, specialized yarns designed to meet certain customer specifications, and premier value-added (“PVA”) yarns with enhanced performance characteristics. The Company sells fibers made from polyester and nylon to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, hosiery, sock, home furnishing, automotive upholstery, industrial and other end-use markets. The Company’s polyester yarn products include recycled polyester polymer beads (“Chip”), partially oriented yarn (“POY”), textured, solution and package dyed, twisted and beamed yarns; each available in virgin or recycled varieties. The Company’s nylon products include textured, solution dyed and covered spandex products. The Company maintains one of the industry’s most comprehensive product offerings and has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States (“U.S.”). The Company’s principal markets are located in the U.S., Canada, Mexico, Central America, and South America. In addition, the Company has a wholly-owned subsidiary in the People’s Republic of China (“China”) focused on the sale and promotion of the Company’s specialty and PVA products in the Asian textile market, primarily in China, as well as into Europe.

Fiscal Year. The Company’s fiscal year ends on the last Sunday in June. However, the Company’s Brazilian, Colombian, and Chinese subsidiaries’ fiscal years end on June 30th. There were no significant transactions or events that occurred between these dates and the date of the Company’s financial statements.

Reclassifications. Certain reclassifications of prior years’ data have been made to conform to the current year presentation.

All dollar amounts and share amounts, except per share amounts, are presented in thousands, except as otherwise noted.

2. Summary of Significant Accounting Policies

The Company follows generally accepted accounting principles (“GAAP”) in the U.S. (“U.S. GAAP”). The significant accounting policies described below, together with the other notes that follow, are an integral part of the consolidated financial statements.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries in which it maintains a controlling financial interest. All account balances and transactions between the Company and the subsidiaries which it controls have been eliminated. Investments in companies where the Company is able to exercise significant influence, but not control, are accounted for by the equity method. For transactions with entities accounted for under the equity method, any intercompany profits on amounts still remaining are eliminated. Amounts originating from any deferral of intercompany profits are recorded within either the Company’s investment account or the account balance to which the transaction specifically relates (e.g., inventory). Only upon settlement of the intercompany transaction with a third party is the deferral of the intercompany profit recognized by the Company.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities, certain financial statement disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the period. The Company’s consolidated financial statements include amounts that are based on management’s best estimates and judgments. Actual results may vary from these estimates. These estimates are reviewed periodically to determine if a change is required.

Cash and Cash Equivalents. Cash equivalents are defined as highly liquid, short-term investments having an original maturity of three months or less. Book overdrafts, for which the bank has not advanced cash, if any, are reclassified to current liabilities.

Receivables. Receivables are stated at their net realizable value. Allowances are provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical experience and known pending claims and are recorded as a reduction of net sales. The allowance for uncollectible accounts is shown as a reduction of operating income and reflects the Company’s best estimate of probable losses inherent in its accounts receivable portfolio determined on the basis of historical experience, aging of trade receivables, specific allowances for known troubled accounts and other currently available information. Customer accounts are written off against the allowance for uncollectible accounts when they are no longer deemed to be collectible.

Inventories. The Company’s inventories are valued at the lower of cost or market with the cost for the majority of its inventory determined using the first-in, first-out (“FIFO”) method. Certain foreign inventories and limited categories of domestic supplies inventories are valued using the average cost method. The Company’s estimates for inventory reserves for any obsolete, slow-moving or excess inventories are based upon many factors including historical recovery rates, the aging of inventories on-hand, inventory movement and expected net realizable value of specific products, and current economic conditions.

Debt Financing Fees. The Company capitalizes costs associated with the financing of its debt obligations. These costs are amortized as additional interest expense following either the effective interest method or the straight-line method. In the event of any prepayment of its debt obligations, the Company accelerates the recognition of a pro-rata amount of issuance costs and records an extinguishment of debt.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

Property, Plant and Equipment. Property, plant and equipment (“PP&E”) are stated at historical cost less accumulated depreciation. New additions and any improvements that substantially extend the useful life of a particular asset are capitalized. Depreciation is calculated primarily utilizing the straight-line method over the following useful lives:

<u>Asset categories</u>	<u>Useful lives in years</u>	
Land improvements	Twenty	
Buildings and improvements	Fifteen	to Forty
Machinery and equipment	Seven to Fifteen	
Computer, software and office equipment	Three	to Seven
Internal software development costs	Three	
Other assets	Three	to Seven

Leasehold improvements are depreciated over the lesser of their estimated useful lives or the remaining term of the lease. Assets under capital leases are amortized on a straight-line basis over the lesser of their estimated useful lives or the lease term.

The Company capitalizes its costs of developing internal software when the software is used as an integral part of its manufacturing or business processes and the technological feasibility has been established. Internal software costs are amortized over a period of three years and charged to cost of sales and selling, general and administrative (“SG&A”) expenses in accordance with the project type.

Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. In the case of disposals, asset costs and related accumulated depreciation amounts are removed from the accounts, and the net amounts, less proceeds from disposal, are included in the determination of net income and presented within Other operating expense (income), net.

Repair and maintenance costs related to PP&E which do not significantly increase the useful life of an existing asset or do not significantly alter, modify or change the capabilities or production capacity of an existing asset are expensed as incurred.

Interest is capitalized when a capital project exceeds certain thresholds and requires a long-term construction period in which to bring it to the condition and location for its intended use.

PP&E is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Long-lived assets to be disposed of by sale are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell. Depreciation ceases for all assets classified as held for sale. Long-lived assets to be disposed of other than by sale are classified as held for use until they are disposed of and these assets are reported at the lower of their carrying amount or estimated fair value.

Intangible Assets. Finite-lived intangible assets, such as customer lists and non-compete agreements are amortized over their estimated useful lives. The Company periodically evaluates the reasonableness of the useful lives of these assets. Once these assets are fully amortized, they are removed from the accounts. These assets are reviewed for impairment or obsolescence when events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, intangible assets are written down to fair value based on discounted cash flows or other valuation techniques. The Company has no intangibles with indefinite lives.

Investments in Unconsolidated Affiliates. The Company evaluates its investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluates whether or not the affiliate is able to generate and sustain sufficient earnings and cash flows to justify its carrying value.

Asset Retirement Obligations. The Company records asset retirement obligations at fair value at the time the liability is incurred and an estimate of the obligation can be made. The associated asset retirement obligations are capitalized as part of the carrying amount of the long-lived asset and depreciated over the estimated remaining useful life of the asset. A gain or loss on settlement is recognized if the obligation is settled for other than the carrying amount of the liability.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

Derivative Instruments. All derivatives are carried on the balance sheet at fair value and are classified according to their derivative position and the expected timing of settlement. On the date the derivative contract is entered into, the Company may designate the derivative into one of the following categories:

- Fair value hedge – a hedge of the fair value of a recognized asset, liability or a firm commitment. Changes in the fair value of derivatives designated and qualifying as a fair-value hedge, as well as the offsetting gains and losses on the hedged items, are reported in income in the same period.
- Cash flow hedge – a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The effective portion of gains and losses on cash flow hedges are recorded in Accumulated other comprehensive income (loss), until the underlying transactions are recognized in income. When the hedged item is realized, gains or losses are reclassified from Accumulated other comprehensive income (loss) to current period earnings on the same line item as the underlying transaction.
- Net investment hedge – if a derivative is used as a foreign currency hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in foreign currency translation adjustments in Accumulated other comprehensive income (loss).

Derivatives that are not designated for hedge accounting are marked to market at the end of each period with the changes in fair value recognized in current period earnings. Any ineffective portion of designated hedges is immediately recognized in current period earnings. Settlements of any fair value or cash flow derivative contracts are classified as cash flows from operating activities.

Fair Value Measurements. The accounting guidance for fair value measurements and disclosures established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). Fair value is based on assumptions that market participants would use when pricing the asset or liability. The hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Company uses the following to measure fair value for its assets and liabilities:

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either indirectly or directly
- Level 3 – Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

Income Taxes. The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using the tax rate expected to be in effect when taxes are settled or realized. The effect on deferred income taxes of a change in tax rate is recognized in income in the period that includes the enactment date.

A valuation allowance is established for deferred tax assets when it is more likely than not that a tax benefit will not be realized. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of taxable temporary differences, taxable income in carryback periods, projected future taxable income and tax planning strategies in making this assessment.

Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

The Company recognizes the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by a competent taxing authority. The Company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. Income tax expense related to penalties and interest, if incurred, are included in the provision for income taxes.

Stock-Based Compensation. Compensation expense for stock awards is based on the grant date fair value and expensed over the applicable vesting period. The Company has a policy of issuing new shares to satisfy share option exercises. For awards with a service condition and a graded vesting schedule, the Company has elected an accounting policy of recognizing compensation cost on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award was, in-substance, multiple awards.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

Foreign Currency Translation. Assets and liabilities of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at exchange rates existing at the respective balance sheet dates. Translation gains and losses are not included in determining net income, but are presented in a separate component of Accumulated other comprehensive income (loss). The Company translates the results of operations of its foreign operations at the average exchange rates during the respective periods. Transaction gains and losses are included in determining net income and are presented within Other operating expense (income), net.

Revenue Recognition. The Company recognizes revenue when (a) there is persuasive evidence of an arrangement, (b) the sales price is fixed or determinable, (c) title and the risks of ownership have been transferred to the customer, and (d) collection of the receivable is reasonably assured. Revenue recognition occurs primarily upon shipment. Revenue includes amounts for duties and import taxes, interest billed to customers, and shipping and handling costs billed to customers. Revenue excludes value-added taxes or other sales taxes and includes any applicable deductions for returns and allowances, yarn claims, and discounts.

Cost of Sales. The major components of cost of sales are: (a) materials and supplies, (b) labor, utility and overhead costs associated with the manufactured products, (c) cost of products purchased for resale, (d) charges or credits associated with inventory reserves, (e) shipping, handling and warehousing costs, (f) research and development costs, and (g) all other costs related to production activities.

Shipping, Handling and Warehousing Costs. Shipping, handling and warehousing costs include costs to store goods prior to shipment, prepare goods for shipment and physically move goods from the Company to its customers.

Research and Development. Research and development costs include employee costs, production costs related to customer samples, operating supplies, consulting fees and other miscellaneous costs. The cost of research and development is charged to expense as incurred. Research and development costs were as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Research and developments costs	\$ 4,764	\$ 4,145	\$ 3,591

Selling, General and Administrative Expenses. The major components of SG&A expenses are (a) cost of the Company's sales force and marketing efforts, as well as commissions and credit insurance, (b) costs of maintaining the Company's general and administrative support functions including executive management, information technology, human resources, legal, and finance, (c) amortization of intangible assets, and (d) all other costs required to be classified as SG&A expenses.

Advertising. Advertising costs are expensed as incurred and included in SG&A expenses. The Company's advertising expenses include spending for items such as branding efforts, promotional items, trade shows and other programs. Advertising costs were as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Advertising costs	\$ 1,811	\$ 1,489	\$ 1,092

Restructuring Charges. Restructuring charges for the relocation of equipment, disposal costs, and other exit costs are expensed as incurred.

Self Insurance. The Company self-insures certain risks such as employee healthcare claims. Reserves for incurred but not reported healthcare claims are estimated using historical data, the timeliness of claims processing, medical trends, inflation and any changes, if applicable, in the nature or type of the plan.

Contingencies. At any point in time, the Company may be a party to various pending legal proceedings, claims or environmental actions. Accruals for estimated losses are recorded at the time information becomes available indicating that losses are probable and that the amount of loss can be reasonably estimated. Any amounts accrued are not discounted. Legal costs such as outside counsel fees and expenses are charged to expense as incurred.

3. Recent Accounting Pronouncements

There have been no newly issued or newly applicable accounting pronouncements that have, or are expected to have, a significant impact on the Company's financial statements.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

4. Acquisition of Controlling Interest in Repreve Renewables, LLC

In April 2010, the Company entered into an agreement with two other unaffiliated entities to form Repreve Renewables, LLC (“Renewables”) and received a 40% membership interest for its \$4,000 contribution. Renewables is a development stage enterprise formed to cultivate, grow and sell dedicated energy crops, including biomass feedstock intended for use as a fuel in the production of energy as well as to provide value added processes for cultivating, harvesting or using biomass crops. Renewables has the exclusive license to commercialize FREEDOM® Giant Miscanthus (“FGM”). FGM is a miscanthus grass strain, which is a C4 plant that was developed by Mississippi State University to be a dedicated energy crop with high biomass yield from minimal input requirements. Renewables’ success will depend in part on its ability to license individual growers to produce FGM and to sell feedstock to those growers. The Company’s investment in Renewables is anticipated to provide a unique revenue stream and support its strategy to grow the REPREEVE® brand and related sustainability initiatives.

On October 6, 2011, the Company and one other existing Renewables member each acquired an additional 20% membership interest for \$500 from the third Renewables member. The additional membership interest purchased by the Company was financed with available cash. Using the amounts paid per membership unit in the October 6th transaction as a basis, (a Level 1 input), the Company determined that the acquisition date fair value of Renewables was \$2,500. This resulted in the Company’s previously held 40% equity interest being valued at \$1,000. As a result of remeasuring its existing 40% interest to this estimated fair value, the Company recorded a non-operating loss of \$3,656 during the quarter ended December 25, 2011.

Fair value of consideration transferred	\$	500
Fair value of the previously held equity interest		1,000
		<u>1,500</u>
Fair value of the non-controlling interest		1,000
Total fair value of Renewables	\$	<u>2,500</u>
Fair value of previously held equity interest	\$	1,000
Less: Investment in Renewables		(4,656)
Write-down of previously held equity interest in Renewables	\$	<u>(3,656)</u>

The total fair value of Renewables was allocated to the tangible assets, liabilities and intangible assets acquired as follows:

Cash	\$	144
Inventories		45
Other current assets		197
Biomass foundation and feedstock		1,611
Property, plant and equipment		114
Intangible assets		536
Total assets		<u>2,647</u>
Current liabilities		(147)
Total net assets acquired	\$	<u>2,500</u>

The intangible assets acquired and their respective estimated average remaining useful lives over which each asset will be amortized on a straight line basis are as follows:

	<u>Amortization Period (years)</u>	<u>Estimated Value</u>
Non-compete agreements	5	\$ 243
License to grow FGM	8	261
Sub-licenses	4	32
Total		<u>\$ 536</u>

The acquisition of the additional 20% membership interest has given the Company a 60% membership interest in Renewables. Beginning with the second quarter of fiscal year 2012, the Company’s consolidated financial statements include the financial position and results of operations of Renewables. Prior to the acquisition, the Company’s share of Renewables’ losses were recorded as Equity in earnings of unconsolidated affiliates. As Renewables is a development stage enterprise and has no revenues and limited operating activities, the results of Renewables’ operations since the acquisition are presented within Other operating expense (income), net in the Consolidated Statements of Income.

Renewables’ operating expenses are funded through contributions from its members. Since October 6, 2011, the Company has received \$920 in contributions from its non-controlling interest.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

5. Receivables, net

Receivables, net consist of the following:

	June 24, 2012	June 26, 2011
Customer receivables	\$ 100,818	\$ 100,893
Allowance for uncollectible accounts	(1,118)	(1,147)
Reserves for yarn quality claims	(939)	(1,101)
Net customer receivables	98,761	98,645
Related party receivables	111	512
Other receivables	364	658
Total receivables, net	<u>\$ 99,236</u>	<u>\$ 99,815</u>

Other receivables consist primarily of receivables for duty drawback, interest and vendor refunds due to the Company.

The changes in the Company's allowance for uncollectible accounts and reserves for yarn quality claims were as follows:

	Allowance for Uncollectible Accounts	Reserves for Yarn Quality Claims
Balance at June 28, 2009	\$ (3,589)	\$ (1,213)
Charged to costs and expenses	(123)	(2,038)
Charged to other accounts	46	321
Deductions	1,791	1,268
Balance at June 27, 2010	\$ (1,875)	\$ (1,662)
Charged to costs and expenses	304	(1,156)
Charged to other accounts	46	401
Deductions	378	1,316
Balance at June 26, 2011	\$ (1,147)	\$ (1,101)
Charged to costs and expenses	(211)	(1,390)
Charged to other accounts	117	23
Deductions	123	1,529
Balance at June 24, 2012	<u>\$ (1,118)</u>	<u>\$ (939)</u>

Amounts charged to costs and expenses for the allowance for uncollectible accounts are reflected in the Provision (benefit) for bad debts. For the allowance for uncollectible accounts, deductions represent amounts written off which were deemed to not be collectible, net of any recoveries. Amounts charged to costs and expenses for the reserves for yarn quality claims are primarily reflected as a reduction of Net sales. For the reserve for yarn quality claims, deductions represent adjustments to either increase or decrease claims based on negotiated amounts or actual versus estimated claim differences. Amounts charged to other accounts primarily include the impact of translating the activity of the Company's foreign affiliates from their respective local currencies to the U.S. dollar.

6. Inventories

Inventories consist of the following:

	June 24, 2012	June 26, 2011
Raw materials	\$ 43,296	\$ 52,387
Supplies	5,169	6,016
Work in process	6,604	7,000
Finished goods	59,659	74,399
Gross inventories	114,728	139,802
Inventory reserves	(1,978)	(4,919)
Total inventories	<u>\$ 112,750</u>	<u>\$ 134,883</u>

The cost for the majority of the Company's inventories is determined using the FIFO method. Certain foreign inventories of \$35,145 and \$43,734 as of June 24, 2012 and June 26, 2011, respectively, were valued under the average cost method.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

7. Other Current Assets

Other current assets consist of the following:

	June 24, 2012	June 26, 2011
Value added taxes receivable	\$ 2,495	\$ 3,331
Vendor deposits	2,076	921
Prepaid expenses	1,753	1,282
Assets held for sale	341	—
Other	57	57
Total other current assets	<u>\$ 6,722</u>	<u>\$ 5,591</u>

Value added taxes receivable are recoverable taxes associated with the sales and purchase activities of the Company's foreign operations. Vendor deposits primarily relate to down payments made towards the purchase of raw materials from Asia. Prepaid expenses consist of advance payments for insurance, public exchange and rating services, professional fees, membership dues, subscriptions and information technology services. Other includes non-income related tax payments and miscellaneous employee advances.

During the quarter ending June 24, 2012, the Company consolidated certain of its distribution centers and closed its nylon warehouse located in Fort Payne, Alabama. The Company has listed the warehouse, land and improvements for sale. As the expected fair value was greater than the associated carrying value, no impairment charges were recorded.

8. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following:

	June 24, 2012	June 26, 2011
Land	\$ 3,095	\$ 3,454
Land improvements	11,426	11,400
Buildings and improvements	146,232	151,503
Assets under capital lease	9,520	9,520
Machinery and equipment	530,319	545,260
Computers, software and office equipment	16,350	19,585
Transportation equipment	4,722	5,162
Construction in progress	1,774	4,583
Gross property, plant and equipment	<u>723,438</u>	<u>750,467</u>
Less: accumulated depreciation	(587,146)	(590,878)
Less: accumulated amortization – capital lease	(9,202)	(8,562)
Total property, plant and equipment, net	<u>\$ 127,090</u>	<u>\$ 151,027</u>

Internal software development costs within PP&E consist of the following:

	June 24, 2012	June 26, 2011
Internal software development costs	\$ 2,014	\$ 1,900
Accumulated amortization	(1,804)	(1,568)
Net internal software development costs	<u>\$ 210</u>	<u>\$ 332</u>

Depreciation expense, internal software development costs amortization, repairs and maintenance expenses and capitalized interest were as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Depreciation expense	\$ 23,650	\$ 22,671	\$ 22,376
Internal software development costs amortization	236	368	468
Repair and maintenance expenses	16,270	18,638	16,738
Capitalized interest	—	—	318

9. Intangible Assets, Net

Intangible assets, net consist of the following:

	June 24, 2012	June 26, 2011
Customer list	\$ 22,000	\$ 22,000
Non-compete agreements	4,243	4,000
Licenses	293	—
Total intangible assets, gross	<u>26,536</u>	<u>26,000</u>
Accumulated amortization - customer list	(14,156)	(12,134)
Accumulated amortization - non-compete agreements	(2,581)	(2,254)

Accumulated amortization - licenses	(28)	—
Total accumulated amortization	(16,765)	(14,388)
Total intangible assets, net	<u>\$ 9,771</u>	<u>\$ 11,612</u>

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

In fiscal year 2007, the Company purchased the texturing operations of Dillon Yarn Corporation (“Dillon”) which are included in the Company’s Polyester segment. The valuation of the customer list acquired was determined by estimating the discounted net earnings attributable to the customer relationships that were purchased after considering items such as possible customer attrition. Based on the length and trend of the projected cash flows, an estimated useful life of thirteen years was determined. The customer list is being amortized in a manner which reflects the expected economic benefit that will be received over its thirteen year life. The Dillon non-compete agreements, which were extended during the current period, are amortized using the straight line method over the periods currently covered by the agreements. The amortization expense is included within the Polyester segment’s depreciation and amortization expense.

During the second quarter of fiscal year 2012, the Company acquired a controlling interest in Renewables. The non-compete agreement acquired is being amortized using the straight line method over the five year term of the agreement. The licenses acquired are being amortized using the straight line method over the estimated useful lives of four to eight years.

Amortization expense for intangible assets consists of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Customer list	\$ 2,022	\$ 2,174	\$ 2,992
Non-compete agreements	327	349	476
Licenses	28	—	—
Total amortization expense	<u>\$ 2,377</u>	<u>\$ 2,523</u>	<u>\$ 3,468</u>

The following table presents the expected intangible asset amortization for the next five fiscal years:

	2013	2014	2015	2016	2017
Customer list	\$ 1,837	\$ 1,481	\$ 1,215	\$ 969	\$ 836
Non-compete agreements	313	313	313	313	277
Licenses	38	38	38	34	30
Total intangible amortization	<u>\$ 2,188</u>	<u>\$ 1,832</u>	<u>\$ 1,566</u>	<u>\$ 1,316</u>	<u>\$ 1,143</u>

10. Other Non-Current Assets

Other non-current assets consist of the following:

	June 24, 2012	June 26, 2011
Long-term deposits	\$ 5,151	\$ 5,709
Debt financing fees	2,870	3,245
Biomass foundation and feedstock	1,794	—
Other	507	456
Total other non-current assets	<u>\$ 10,322</u>	<u>\$ 9,410</u>

Long-term deposits consist primarily of deposits with a domestic utility company and value added tax deposits. Biomass foundation and feedstock represents bioenergy foundation and feedstock currently being or expected to be, propagated by Renewables. Other consists primarily of premiums on a split dollar life insurance policy which represents the value of the Company’s right of return on premiums paid for a retiree owned insurance contract which matures in 2015.

11. Accrued Expenses

Accrued expenses consist of the following:

	June 24, 2012	June 26, 2011
Payroll and fringe benefit costs	\$ 9,026	\$ 11,119
Utilities	2,540	2,237
Interest	398	1,900
Property taxes	842	885
Retiree medical liability	138	202
Derivative instruments	—	2
Asset retirement obligation	125	—
Other	1,333	1,150
Total accrued expenses	<u>\$ 14,402</u>	<u>\$ 17,495</u>

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The Company has recorded an asset retirement obligation associated with the reclamation and removal costs related to a leased location in its Polyester segment. Other accruals consist primarily of sales taxes, workers compensation and other employee related claims, marketing expenses, freight expenses, rent and other non-income related taxes. The decreased accrual for payroll and fringe benefits is primarily due to the timing associated with payment of awards previously earned and the amounts expected to be earned under variable compensation programs. The decreased accrual for interest is due to the Company's recent debt refinancing as discussed below in "Footnote 12. Long-Term Debt".

12. Long-Term Debt

Long-term debt consists of the following:

	June 24, 2012	June 26, 2011
Notes payable	\$ —	\$ 133,722
First Amended Credit Agreement revolving credit facility	—	34,600
ABL Revolver	51,000	—
ABL Term Loan	50,000	—
Term B Loan	20,515	—
Capital lease obligation	37	342
Total debt	121,552	168,664
Current portion of long-term debt	(7,237)	(342)
Total long-term debt	\$ 114,315	\$ 168,322

Notes Payable

On May 26, 2006, the Company issued \$190,000 of 11.5% senior secured notes ("2014 notes") due May 15, 2014. The 2014 notes were guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries.

First Amended Credit Agreement Revolving Credit Facility

Concurrent with the issuance of the 2014 notes, the Company amended its then existing senior secured asset-based revolving credit facility ("Amended Credit Agreement"). On September 9, 2010, the Company and the Subsidiary Guarantors (as co-borrowers) entered into the First Amendment to the Amended and Restated Credit Agreement ("First Amended Credit Agreement") with Bank of America, N.A. (as both Administrative Agent and Lender). The First Amended Credit Agreement provided for a revolving credit facility of \$100,000 that was scheduled to mature on September 9, 2015. However, if the 2014 notes had not been paid in full on or before February 15, 2014, the maturity date of the Company's revolving credit facility would have been automatically adjusted to February 15, 2014.

Debt Refinancing

On May 24, 2012, the Company entered into a \$150,000 senior secured credit facility ("ABL Facility") with Wells Fargo Bank, N.A. ("Wells Fargo") and Bank of America, N.A. The ABL Facility consists of a \$100,000 revolving credit facility ("ABL Revolver") and a \$50,000 term loan ("ABL Term Loan"). Wells Fargo serves as the administrative agent, sole lead arranger and sole book runner. In addition, the Company entered into a \$30,000 term loan ("Term B Loan") with MacKay Shields LLC, a Delaware limited liability company, solely in its capacity as investment advisor or subadvisor with investment authority for certain discretionary client accounts. Wilmington Trust National Association ("Wilmington Trust") serves as the administrative agent under the Term B Loan. The purpose of the new ABL Facility and the Term B Loan was to, among other things, refinance the Company's existing indebtedness including the redemption of the 2014 notes and to repay in full amounts borrowed under, and terminate, the First Amended Credit Agreement. On May 24, 2012, the Company redeemed in full the \$123,722 remaining principal amount of the outstanding 2014 notes at par and repaid amounts borrowed under, and terminated, the First Amended Credit Agreement, which had an outstanding principal balance of \$35,000. The ABL Facility and the Term B Loan each have a maturity date of May 24, 2017. The Company has the ability to request that the borrowing capacity of the ABL Revolver be increased to as much as \$150,000, at the discretion of the participating lenders.

ABL Facility

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned or hereafter acquired property and assets, together with all proceeds and products thereof, of the Company, Unifi Manufacturing, Inc. and its subsidiary guarantors (the "Loan Parties") other than the assets to which the Loan Parties have a second-priority lien. It is also secured by a first priority perfected security interest in all of the stock of (or other ownership interests in) each of the Loan Parties (other than the Company) and certain subsidiaries of the Loan Parties; provided, that only 65% of the stock of (or other ownership interests in) first tier controlled foreign corporations are pledged, together with all proceeds and products thereof. The ABL Facility is further secured by a second-priority lien on the Company's indirect limited liability company membership interest in Parkdale America, LLC ("PAL").

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The ABL Facility includes representations and warranties made by the Loan Parties, affirmative and negative covenants and events of default that are usual and customary for financings of this type. Should excess availability under the ABL Revolver fall below the greater of \$10,000 or 15% of maximum availability, an ABL Facility financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.0 becomes effective. In addition, the ABL Facility contains certain restricted payment and restricted investment provisions, including a restriction on the payment of dividends and share repurchases, unless excess availability is greater than \$20,000 for the entire thirty day period prior to the making of such a distribution or excess availability is greater than \$10,000 for the entire thirty day period prior to the making of such a distribution and the fixed charge coverage ratio for the most recent twelve month period (as calculated on a pro forma basis as if the payment and any revolving loans made in connection therewith were made on the first day of such period) is at least 1.0 to 1.0. As of June 24, 2012, the Company had a fixed charge coverage ratio of 1.43 and was in compliance with all financial covenants.

The Company's ability to borrow under the ABL Revolver will be limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. ABL Revolver borrowings bear interest at the London Interbank Offer Rate (the "LIBOR Rate") plus an applicable margin of 1.75% to 2.25% or the Base Rate plus an applicable margin of 0.75% to 1.25% with interest currently being paid on a monthly basis. The applicable margin is based on the average quarterly excess availability under the ABL Revolver. The Base Rate means the greatest of (i) the prime lending rate as publicly announced from time to time by Wells Fargo Bank, (ii) the Federal Funds Rate plus 0.5%, and (iii) the LIBOR rate plus 1.0%. There is also an unused line fee under the ABL Revolver of 0.25% to 0.375% of the unused line amount which is paid monthly.

The Company has \$2,175 of standby letters of credit at June 24, 2012, none of which have been drawn upon. As of June 24, 2012, the Company had \$37,122 of excess availability under the ABL Revolver.

Under the terms of the ABL Facility, the Company is required to hedge at least \$50,000 of variable interest rate exposure so long as the outstanding principal of all indebtedness having variable interest rates exceeds \$75,000. The weighted average interest rate for the ABL Revolver as of June 24, 2012, including the effects of all interest rate swaps, was 3.4%.

The ABL Term Loan bears interest at LIBOR plus an applicable margin of 2.25% to 2.75% or the Base Rate plus an applicable margin of 1.25% to 1.75% depending upon the Company's level of excess borrowing availability with interest currently being paid on a monthly basis. The weighted average interest rate for the ABL Term Loan as of June 24, 2012, including the effects of all interest rate swaps, was 3.3%. The ABL Term Loan will be repaid in quarterly scheduled principal installments of \$1,800 commencing on September 1, 2012 and a balloon payment of \$14,000 in May 2017. The ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at the Company's discretion, subject to the provisions of the Intercreditor Agreement.

Term B Loan

The Term B Loan is secured by a first-priority lien on the Company's limited liability company membership interest in PAL and a second-priority lien on the ABL Facility first-priority collateral described above. Wells Fargo and Wilmington Trust entered into an Intercreditor Agreement ("Intercreditor Agreement") on May 24, 2012 which confirmed the relative priority of their respective security interests. The Term B Loan also contains representations and warranties, affirmative and negative covenants and events of default comparable to those included in the ABL Facility.

The Term B Loan bears interest at LIBOR plus 7.50% (with a LIBOR floor of 1.25%) with interest payable monthly. The Term B Loan does not amortize and prepayments are only required if after-tax distributions from PAL are received by the Company (100% of such distributions up to the first \$3,000 per calendar year and 50% thereafter), the Company sells all or any part of its membership interest in PAL or under certain other circumstances specified within the Intercreditor Agreement. The Company may prepay the Term B Loan at any time subject to the Intercreditor Agreement, in whole or in part, with a call premium of 3% during the first year, 2% during the second year, 1% during the third year and at par thereafter.

Optional and Mandatory Prepayments

On June 8, 2012, the Company made a \$6,000 optional prepayment of the Term B Loan and recorded a \$311 charge for the early extinguishment of debt related to the 3% call premium and the associated write-off of debt financing fees. On June 13, 2012, the Company made a \$3,485 mandatory prepayment of the Term B Loan due to the receipt of a PAL after-tax distribution and recorded a \$180 charge for the early extinguishment of debt related to the 3% call premium and the associated write-off of debt financing fees.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The following table presents the scheduled maturities of the Company's long-term debt on a fiscal year basis:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
Scheduled debt maturities	\$ 7,237	\$ 7,200	\$ 7,200	\$ 7,200	\$ 92,715	\$ —

Debt Financing Fees

Debt financing fees are classified within other non-current assets and consist of the following:

	<u>June 24, 2012</u>	<u>June 26, 2011</u>
Balance at beginning of year	\$ 3,245	\$ 3,585
Amounts paid related to debt refinancing	3,127	825
Amortization charged to interest expense	(871)	(415)
Amounts charged to extinguishment of debt due to refinancing	(2,250)	—
Amounts charged to extinguishment of debt due to prepayments	(381)	(750)
Balance at end of year	<u>\$ 2,870</u>	<u>\$ 3,245</u>

Amortization of the debt financing fees is classified within Interest expense and consists of the following:

	<u>For the Fiscal Years Ended</u>		
	<u>June 24, 2012</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
Amortization of debt financing fees	\$ 871	\$ 415	\$ 1,104

The components of Loss (gain) on extinguishment of debt consist of the following:

	<u>For the Fiscal Years Ended</u>		
	<u>June 24, 2012</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
Prepayment premium (discount) for 2014 notes	\$ 288	\$ 2,587	\$ (65)
Prepayment premium for Term B Loan	284	—	—
	<u>572</u>	<u>2,587</u>	<u>(65)</u>
Non-cash charges due to refinancing	2,250	—	—
Non-cash charges due to prepayments	381	750	11
Loss (gain) on extinguishment of debt	<u>\$ 3,203</u>	<u>\$ 3,337</u>	<u>\$ (54)</u>

Subsequent Events

On June 25, 2012, the Company provided notice that it would make a \$4,515 optional prepayment of the Term B Loan. This prepayment was subsequently completed on July 2, 2012, and the Company recorded a \$232 charge for the early extinguishment of debt in the September 2012 quarter related to the 3% call premium and the associated write-off of debt financing fees.

13. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	<u>June 24, 2012</u>	<u>June 26, 2011</u>
Supplemental post-employment plan	\$ 2,195	\$ 1,866
Derivative instruments	1,015	408
Other	1,622	1,733
Total other long-term liabilities	<u>\$ 4,832</u>	<u>\$ 4,007</u>

Other includes certain domestic retiree and post-employment medical liabilities, tax contingencies and certain non-income related taxes associated with the Company's foreign subsidiaries.

The Company maintains an unfunded supplemental post-employment plan for certain management employees. Each participant's account is credited annually based upon a percentage of their base salary with each participant's balance adjusted quarterly to reflect returns based upon a stock market index. Amounts are paid to participants only after termination of their employment. The following table presents the expense recorded within SG&A expenses for this plan:

	<u>For the Fiscal Years Ended</u>		
	<u>June 24, 2012</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
Supplement post-employment plan expenses	\$ 394	\$ 519	\$ 431

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

14. Income Taxes

The components of income (loss) before income taxes consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
United States	\$ 3,010	\$ 14,737	\$ (4,399)
Foreign	5,839	17,685	22,770
	<u>\$ 8,849</u>	<u>\$ 32,422</u>	<u>\$ 18,371</u>

The components of the (Benefit) provision for income taxes consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Current:			
Federal	\$ 457	\$ 3	\$ (48)
State	69	—	—
Foreign	4,549	6,844	8,325
	<u>5,075</u>	<u>6,847</u>	<u>8,277</u>
Deferred:			
Federal	(2,733)	—	—
State	(3,285)	—	—
Foreign	(1,036)	486	(591)
	<u>(7,054)</u>	<u>486</u>	<u>(591)</u>
(Benefit) provision for income taxes	<u>\$ (1,979)</u>	<u>\$ 7,333</u>	<u>\$ 7,686</u>

The significant components of the Company's deferred tax assets and liabilities consist of the following:

	June 24, 2012	June 26, 2011
Deferred tax assets:		
Investments in unconsolidated affiliates	\$ 9,109	\$ 11,918
State tax credits	343	510
Accrued liabilities and valuation reserves	4,523	4,629
Net operating loss carryforwards	10,135	19,828
Intangible assets	6,961	7,797
Foreign tax credits	2,588	9,757
Incentive compensation plans	2,574	1,784
Other items	3,112	3,052
Total gross deferred tax assets	39,345	59,275
Valuation allowance	(13,911)	(30,164)
Net deferred tax assets	<u>25,434</u>	<u>29,111</u>
Deferred tax liabilities:		
Property, plant and equipment	9,218	13,006
Unremitted foreign earnings	7,109	12,264
Other	804	2,421
Total deferred tax liabilities	17,131	27,691
Net deferred tax asset	<u>\$ 8,303</u>	<u>\$ 1,420</u>

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of taxable temporary differences, taxable income in carryback years, projected future taxable income and tax planning strategies in making this assessment.

At the beginning of the fourth quarter of fiscal year 2012, the Company's valuation allowance related primarily to its deferred tax assets for domestic federal and state net operating loss carryforwards, equity investments and foreign tax credit carryovers and foreign net operating loss carryforwards and equity investments. The Company's domestic operations have experienced positive operating results in recent years (for both reported book and taxable income amounts) and the Company projects taxable income for future years due, in part, to the expected reductions in interest expense as a result of the recently completed debt refinancing. The Company will need to generate future taxable income of \$21,826 prior to the expiration of the federal net operating loss carryforwards in 2030 in order to fully realize the domestic deferred tax assets. During the fourth quarter of fiscal year 2012, the Company concluded that its cumulative profitability in recent years and projected future taxable income provided sufficient positive evidence that future tax benefits related to \$6,256 of its domestic deferred tax assets will more likely than not be realized and the Company recorded a reduction to the valuation allowance. Of this amount, \$6,017 was recorded as a benefit for deferred income taxes as a component of net income and \$239 was recorded as a component of other comprehensive income.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The balances and activity for the Company's deferred tax valuation allowance are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Balance at beginning of the year	\$ (30,164)	\$ (39,988)	\$ (40,118)
Charged to costs and expenses	15,847	8,815	(3,574)
Charged to other accounts	239	—	—
Deductions	167	1,009	3,704
Balance at end of year	<u>\$ (13,911)</u>	<u>\$ (30,164)</u>	<u>\$ (39,988)</u>

As of June 24, 2012, the Company's valuation allowance includes \$11,194 for reserves against certain domestic deferred tax assets primarily related to equity investments and foreign tax credit carryforwards as well as \$2,717 for reserves against certain deferred tax assets of the Company's foreign subsidiaries that are primarily related to net operating loss carryforwards and equity investments.

During fiscal year 2012, the Company's valuation allowance declined \$16,253. This decrease consists of the \$6,256 reduction discussed above, \$11,242 primarily due to the utilization of domestic federal and state net operating loss carryforwards during the year, partially offset by \$1,245 related to certain foreign equity investments. In fiscal year 2011, the valuation allowance decreased \$9,824 primarily as a result of the decrease in temporary differences, the effects of the change in the indefinite reinvestment assertion, and the utilization of federal net operating loss carryforwards. In fiscal year 2010, the valuation allowance decreased \$130 primarily as a result of a decrease in temporary differences and the expiration of state income tax credit carryforwards which were offset by an increase in federal net operating loss carryforwards.

During fiscal year 2011, the Company changed its indefinite reinvestment assertion related to approximately \$26,630 of the earnings and profits held by Unifi do Brazil, Ltda. ("UDB"). During fiscal year 2012, the Company increased its indefinite reinvestment assertion by \$17,040 and subsequently reduced the assertion by \$23,359 for dividends received from UDB. At the end of fiscal year 2012, the Company has plans to repatriate \$20,311 of future cash flows generated from its operations in Brazil and has established a deferred tax liability of \$7,109 to reflect the additional income tax that would be due as a result of these plans. As of June 24, 2012, the \$74,783 of undistributed earnings of the Company's foreign subsidiaries is deemed to be permanently invested and any applicable U.S. federal income taxes and foreign withholding taxes have not been provided on these earnings. If these earnings had not been permanently reinvested, deferred taxes of approximately \$26,174 would have been recognized.

The provision for income taxes computed by applying the federal statutory tax rate as reconciled to the actual (benefit) provision for income taxes is as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	0.5	1.1	(0.4)
Foreign income taxed at different rates	(7.3)	(1.2)	(5.6)
Repatriation of foreign earnings	71.6	6.3	8.4
Unremitted foreign earnings, net of foreign tax credit	54.2	11.9	—
North Carolina investment tax credit expiration	0.3	2.8	5.2
Change in valuation allowance	(180.2)	(34.8)	(0.4)
Non deductible expenses and other	3.5	1.5	(0.4)
Effective tax rate	<u>(22.4%)</u>	<u>22.6%</u>	<u>41.8%</u>

The Company's effective tax rate for the year ended June 24, 2012 was significantly impacted by the decrease in the valuation allowance due to the \$6,017 reversal and the utilization of federal and state net operating loss carryforwards during the year, partially offset by the current year repatriation of foreign earnings as well as the tax effect of changes in future repatriation plans.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

As of June 24, 2012, the Company has \$21,038 of federal net operating loss carryforwards and \$36,778 of state net operating loss carryforwards that may be used to offset future taxable income. In addition, the Company has \$2,588 of foreign tax credit carryforwards (of which \$1,680 are offset by valuation allowances), \$167 of federal tax credit carryforwards and \$185 of North Carolina investment tax credit carryforwards. These carryforwards, if unused, will expire as follows:

Federal net operating loss carryforwards	2029	through	2030
State net operating loss carryforwards	2013	through	2032
Foreign tax credit carryforwards	2021		
Federal tax credit carryforwards	2022	through	2032
North Carolina investment tax credit carryforwards	2013	through	2016

The Company also has an alternative minimum tax credit carryforward of approximately \$541 for federal income tax purposes that does not expire.

A reconciliation of beginning and ending gross amounts of unrecognized tax benefits is as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Balance at beginning of the year	\$ 775	\$ 374	\$ 2,167
Gross increases related to current period tax positions	6	22	—
Gross increases related to tax positions in prior periods	400	379	—
Gross decreases related to settlements with tax authorities	—	—	—
Gross decreases related to lapse of applicable statute of limitations	(27)	—	(1,793)
Balance at end of year	<u>\$ 1,154</u>	<u>\$ 775</u>	<u>\$ 374</u>

Recognition of \$1,154 of previously unrecognized tax benefits would have an impact on the Company's effective tax rate. Interest and penalties recognized by the Company within income tax expense were \$9, \$552 and \$0 for the fiscal years ended June 24, 2012, June 26, 2011, and June 27, 2010, respectively. The Company has \$561 and \$552 accrued for interest and/or penalties related to uncertain tax positions as of June 24, 2012 and June 26, 2011, respectively.

The Company and its domestic subsidiaries file a consolidated federal income tax return as well as income tax returns in numerous state and foreign jurisdictions. The tax years subject to examination vary by jurisdiction. The Company regularly assesses the outcomes of both completed and ongoing examinations to ensure that the Company's provision for income taxes is sufficient. Currently, the Company is subject to income tax examinations for U.S. federal income taxes for fiscal years 2006 through 2012, for foreign income taxes for tax years 2002 through 2012, and for state and local income taxes for tax years 2002 through 2012. During the fourth quarter of fiscal year 2012, the Internal Revenue Service notified the Company of its intent to audit the 2010 tax year.

15. Shareholders' Equity

On October 27, 2010, the shareholders of the Company approved a reverse stock split of the Company's common stock (the "reverse stock split") at a ratio of 1-for-3. The reverse stock split became effective November 3, 2010. The Company had 20,060 shares of common stock issued and outstanding immediately following the completion of the reverse stock split. The Company is authorized in its Restated Certificate of Incorporation to issue up to a total of 500,000 shares of common stock at a \$0.10 par value per share which was unchanged by the amendment. All share and per share amounts have been retroactively adjusted to reflect the reverse stock split.

No dividends were paid in the last three fiscal years.

Effective July 26, 2000, the Company's Board of Directors ("Board") authorized the repurchase of up to 3,333 shares of its common stock of which approximately 1,064 shares were subsequently repurchased. The repurchase program was suspended in November 2003. There is remaining authority for the Company to repurchase approximately 2,269 shares of its common stock under the repurchase plan. The repurchase plan has no stated expiration or termination date.

16. Stock Based Compensation

On October 29, 2008, the shareholders of the Company approved the 2008 Unifi, Inc. Long-Term Incentive Plan ("2008 LTIP"). The 2008 LTIP authorized the issuance of up to 2,000 shares of common stock pursuant to the grant or exercise of stock options, including incentive stock options, non-qualified stock options and restricted stock, but not more than 1,000 shares may be issued as restricted stock. Option awards are granted with an exercise price not less than the market price of the Company's stock at the date of grant. The 2008 LTIP replaced the 1999 Unifi, Inc. Long-Term Incentive Plan ("1999 LTIP"), however, prior grants outstanding under the 1999 LTIP remain subject to that plan's provisions.

Stock options subject to service conditions

During fiscal year 2012, the Compensation Committee of the Board ("Compensation Committee") authorized, and the Company issued, 127 stock options under the 2008 LTIP to certain key employees. The stock options vest ratably over the required three year service period and have ten year contractual

terms. The exercise price of the options was \$12.47 per share. The Company used the Black-Scholes model to estimate the weighted average grant date fair value of \$7.88 per share.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

There were no options granted during fiscal year 2011.

During fiscal year 2010, the Compensation Committee authorized, and the Company issued, 567 stock options under the 2008 LTIP to certain key employees and certain members of the Board. The stock options vest ratably over the required three year service period and have ten year contractual terms. The exercise price of the options was \$5.79 per share. The Company used the Black-Scholes model to estimate the weighted average grant date fair value of \$3.34 per share.

For options granted, the valuation models used the following assumptions:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Expected term (years)	6.3	—	5.5
Interest rate	2.0%	—	2.8%
Volatility	68.2%	—	63.6%
Dividend yield	—	—	—

The Company uses historical data to estimate the expected life, volatility and estimated forfeitures. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

A summary of the Company's non-vested shares related to options subject to service conditions as of June 24, 2012, and changes during the current fiscal year is as follows:

	Under the 1999 LTIP	Under the 2008 LTIP	Total Shares	Weighted Average Grant Date Fair Value
Non-vested at June 26, 2011	—	373	373	\$ 3.34
Granted	—	127	127	\$ 7.88
Vested	—	(186)	(186)	\$ 3.34
Forfeited	—	(2)	(2)	\$ 3.31
Non-vested at June 24, 2012	—	312	312	\$ 5.19

The following table sets forth the exercise prices, the number of options outstanding and exercisable, and the remaining contractual lives of the Company's stock options subject to service conditions for selected price ranges as of June 24, 2012:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (Years)	Number of Options Exercisable	Weighted Average Exercise Price
\$ 5.73 - \$ 10.00	833	\$ 6.72	5.7	648	\$ 6.99
\$ 10.01 - \$ 20.00	179	\$ 11.92	7.5	52	\$ 10.59
\$ 20.01 - \$ 29.79	4	\$ 21.13	1.5	4	\$ 21.13
Totals	1,016	\$ 7.70	6.0	704	\$ 7.34

At June 24, 2012, the remaining unrecognized compensation cost related to the unvested stock options subject to service conditions was \$443 which is expected to be recognized over a weighted average period of 2.0 years.

Stock options subject to market conditions

There were no options granted during fiscal years 2012, 2011 and 2010 that contained market condition vesting provisions. A summary of the Company's non-vested shares related to options subject to market conditions as of June 24, 2012, and changes during the current fiscal year is as follows:

	Under the 1999 LTIP	Under the 2008 LTIP	Total Shares	Weighted Average Grant Date Fair Value
Non-vested at June 26, 2011	494	83	577	\$ 5.66
Granted	—	—	—	\$ —
Vested	—	—	—	\$ —
Forfeited	—	(10)	(10)	\$ 7.47
Non-vested at June 24, 2012	494	73	567	\$ 5.63

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The stock options are subject to a market condition which vests the options on the date that the closing price of the Company's common stock has been at least \$18, \$24 or \$30 per share (depending on the terms of the specific award) for thirty consecutive trading days.

The following table sets forth the exercise prices, the number of options outstanding and exercisable, and the remaining contractual lives of the Company's stock options subject to market conditions, for selected price ranges as of June 24, 2012:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (Years)	Number of Options Exercisable	Weighted Average Exercise Price
\$ 8.00 - \$ 10.00	494	\$ 8.15	5.3	—	\$ —
\$ 10.01 - \$ 12.48	73	\$ 12.48	6.4	—	\$ —
Totals	567	\$ 8.71	5.5	—	\$ —

The remaining unrecognized compensation cost related to the stock options subject to market conditions at June 24, 2012 was nil.

The stock option activity for the fiscal year ended June 24, 2012 for all plans and all vesting conditions is as follows:

	Options Outstanding	Weighted Average Exercise Price
Shares under option at June 26, 2011	1,692	\$ 9.62
Granted	127	\$ 12.47
Exercised	(10)	\$ 7.24
Expired	(214)	\$ 22.78
Forfeited	(12)	\$ 11.35
Shares under option at June 24, 2012	<u>1,583</u>	<u>\$ 8.06</u>

For the fiscal years ended June 24, 2012 and June 26, 2011, the total intrinsic value of options exercised was \$40 and \$155, respectively. The amount of cash received from the exercise of options was \$71 and \$146 for the fiscal years ended June 24, 2012 and June 26, 2011, respectively. There were no options exercised in fiscal year 2010. The tax benefit realized from stock options exercised was not material for all periods presented.

The following table presents certain required stock option information for awards granted under the 2008 LTIP and the 1999 LTIP as of and for the year ended June 24, 2012:

Number of options vested and expected to vest	1,568
Weighted average price of options vested and expected to vest	\$ 8.08
Intrinsic value of options vested and expected to vest	\$ 6,285
Weighted average remaining contractual term of options vested and expected to vest (years)	5.8
Number of options exercisable as of June 24, 2012	704
Weighted average exercise price for options currently exercisable	\$ 7.34
Intrinsic value of options currently exercisable	\$ 3,178
Weighted average remaining contractual term of options currently exercisable (years)	5.2

Restricted stock units – non-employee directors

During fiscal year 2012, the Board authorized, and the Company issued, 49 restricted stock units ("RSUs") under the 2008 LTIP to the Company's non-employee directors. The RSUs became fully vested on the grant date. The RSUs convey no rights of ownership in shares of Company stock until such RSUs have been distributed to the grantee in the form of Company stock. The vested RSUs will be converted into an equivalent number of shares of Company common stock and distributed to the grantee following the grantee's termination of services as a member of the Board. The grantee may elect to defer receipt of the shares of stock in accordance with the deferral options provided under the Unifi, Inc. Director Deferred Compensation Plan. The Company estimated the fair value of the award to be \$9.10 per RSU based on the fair value of the Company's common stock at the award grant date.

During fiscal year 2011, the Board authorized, and the Company issued, 25 RSUs under the 2008 LTIP to the Company's non-employee directors. The RSUs were subject to a thirteen month vesting period. The vested RSUs will be converted into an equivalent number of shares of Company common stock and distributed to the grantee following the grantee's termination of services as a member of the Board. The Company estimated the fair value of the award to be \$13.89 per RSU based on the fair value of the Company's common stock at the award grant date.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

A summary of the Company's RSUs issued to non-employee directors and changes during the current fiscal year consist of the following:

	Units	Weighted Average Grant Date Fair Value
Non-vested at June 26, 2011	21	\$ 13.89
Granted	49	\$ 9.10
Vested	(70)	\$ 10.56
Forfeited	—	\$ —
Non-vested at June 24, 2012	—	\$ —

The remaining unrecognized compensation cost related to the unvested RSUs at June 24, 2012 is nil.

Restricted stock units – key employees

During fiscal year 2012, the Compensation Committee authorized, and the Company issued, 64 RSUs from the 2008 LTIP to certain key employees. The RSUs are subject to a vesting restriction and convey no rights of ownership in shares of Company stock until such RSUs have vested and been distributed to the grantee in the form of Company stock. The RSUs vest ratably over a three year period. The RSUs will be converted into an equivalent number of shares of stock on each vesting date and distributed to the grantee, or the grantee may elect to defer the receipt of the shares of stock until separation from service. If after July 27, 2012 and prior to the final vesting date the grantee has a separation from service without cause, the remaining unvested RSUs will become fully vested and will be converted to an equivalent number of shares of stock and issued to the grantee. The Company estimated the grant-date fair value of the award to be \$12.47 per RSU based on the fair value of the Company's stock at the award grant date.

A summary of the Company's RSUs issued to key employees and changes during the current fiscal year consist of the following:

	Units	Weighted Average Grant Date Fair Value
Non-vested at June 26, 2011	—	\$ —
Granted	64	\$ 12.47
Vested	—	\$ —
Forfeited	—	\$ —
Non-vested at June 24, 2012	64	\$ 12.47

The remaining unrecognized compensation cost related to the unvested RSUs at June 24, 2012 is \$78, which is expected to be recognized over a weighted average period of 0.1 years.

During fiscal year 2011, the total intrinsic value of all RSU's converted to shares of Company stock was \$70. There were no RSU's converted during fiscal year 2012 or during fiscal year 2010.

The following table presents certain required information for RSU's granted under the 2008 LTIP as of June 24, 2012:

Number of RSU's expected to vest	64
Weighted average price of RSU's expected to vest	\$ —
Intrinsic value of RSUs expected to vest	\$ 761
Weighted average remaining contractual term of RSU's expected to vest	—

Summary:

The total cost charged against income related to all stock based compensation arrangements was as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Stock options subject to service conditions	\$ 774	\$ 594	\$ 1,014
Stock options subject to market conditions	—	47	1,110
RSUs issued to non-employee directors	566	234	—
RSUs issued to key employees	714	—	—
Total compensation cost	\$ 2,054	\$ 875	\$ 2,124

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The total income tax benefit recognized for stock based compensation was not material for all periods presented.

As of June 24, 2012, total unrecognized compensation costs related to all unvested stock based compensation arrangements was \$521. The weighted average period over which these costs are expected to be recognized is 1.7 years.

As of June 24, 2012, a summary of the number of securities remaining available for future issuance under equity compensation plans is as follows:

Authorized under the 2008 LTIP	2,000
Less: Market condition options granted	(93)
Less: Service condition options granted	(694)
Less: RSUs granted to non-employee directors	(75)
Less: RSUs granted to key employees	(64)
Plus: Options forfeited	27
Plus: RSUs forfeited	—
Available for issuance under the 2008 LTIP	<u>1,101</u>

17. Defined Contribution Plan

The Company matches employee contributions made to the Unifi, Inc. Retirement Savings Plan (the “DC Plan”), an existing 401(k) defined contribution plan, which covers eligible domestic salary and hourly employees. Under the terms of the DC Plan, the Company matches 100% of the first three percent of eligible employee contributions and 50% of the next two percent of eligible contributions. In March 2009, the Company suspended its match due to economic conditions and in January 2010, the Company reinstated its matching contributions.

The following table presents the employer contribution expense related to the DC Plan incurred each year:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Matching contribution expense	<u>\$ 2,012</u>	<u>\$ 2,100</u>	<u>\$ 895</u>

18. Accumulated Other Comprehensive Income

The components and the changes in Accumulated other comprehensive income, net of tax as applicable, consist of the following:

	Foreign Currency Translation Adjustments	Derivative Financial Instruments	Accumulated Other Comprehensive Income
Balance at June 27, 2010	\$ 10,128	\$ —	\$ 10,128
Other comprehensive income (loss) activity	14,702	(1,054)	13,648
Balance at June 26, 2011	24,830	(1,054)	23,776
Other comprehensive income (loss) activity	(22,813)	(935)	(23,748)
Balance at June 24, 2012	<u>\$ 2,017</u>	<u>\$ (1,989)</u>	<u>\$ 28</u>

Derivative financial instruments includes \$1,214 and \$646 for losses on cash flow hedges related to one of the Company’s unconsolidated affiliates at June 24, 2012 and June 26, 2011, respectively. The cumulative tax benefit on derivative financial instruments was \$239 and \$0 at June 24, 2012 and June 26, 2011, respectively.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

19. Computation of Earnings Per Share

The computation of basic and diluted earnings per share (“EPS”) was as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
<i>Basic EPS</i>			
Net income attributable to Unifi, Inc.	\$ 11,491	\$ 25,089	\$ 10,685
Weighted average common shares outstanding	20,088	20,065	20,325
Basic EPS	<u>\$ 0.57</u>	<u>\$ 1.25</u>	<u>\$ 0.53</u>
<i>Diluted EPS</i>			
Net income attributable to Unifi, Inc.	\$ 11,491	\$ 25,089	\$ 10,685
Weighted average common shares outstanding	20,088	20,065	20,325
Net potential common share equivalents – stock options and RSUs	306	420	147
Adjusted weighted average common shares outstanding	20,394	20,485	20,472
Diluted EPS	<u>\$ 0.56</u>	<u>\$ 1.22</u>	<u>\$ 0.52</u>
Excluded from the calculation of common share equivalents:			
Anti-dilutive common share equivalents	184	221	284
Excluded from the calculation of diluted shares:			
Unvested options that vest upon achievement of certain market conditions	567	577	583

The calculation of earnings per common share is based on the weighted average number of the Company’s common shares outstanding for the applicable period. The calculation of diluted earnings per common share presents the effect of all potential dilutive common shares that were outstanding during the respective period, unless the effect of doing so is anti-dilutive. Common share equivalents where the exercise price is above the average market price are excluded in the calculation of diluted earnings per common share.

20. Derivative Financial Instruments

The Company may use derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. The Company does not enter into derivative contracts for speculative purposes.

Interest rate swaps

On February 15, 2011, the Company entered into a twenty-seven month, \$25,000 interest rate swap with Bank of America, N.A. to provide a hedge against the variability of cash flows (monthly interest expense payments) on the first \$25,000 of LIBOR-based variable rate borrowings under the Company’s prior revolving credit facility. The interest rate swap allows the Company to fix the LIBOR rate at 1.39% and terminates on May 17, 2013. On August 5, 2011, the Company entered into a twenty-one month, \$10,000 interest rate swap to provide a hedge against the variability of cash flows related to additional variable rate borrowings under the revolving credit facility. This interest rate swap allows the Company to fix the LIBOR rate at 0.75% and terminates on May 17, 2013. On May 18, 2012, the Company entered into a five year, \$50,000 interest rate swap with Wells Fargo to provide a hedge against the variability of cash flows related to additional variable rate borrowings under the Company’s new ABL Revolver and ABL Term Loan. This interest rate swap increases to \$85,000 in May 2013 (when the \$25,000 and \$10,000 interest rate swaps with Bank of America, N.A. terminate) and then decreases \$5,000 per quarter beginning in August 2013 until the balance again reaches \$50,000 in February 2015 (where it will remain through May 2017). This interest rate swap allows the Company to fix the LIBOR rate at 1.06% and terminates on May 24, 2017.

The Company has designated these swaps as cash flow hedges and determined that they are highly effective. At June 24, 2012, the amount of pre-tax loss recognized in Accumulated other comprehensive income for the Company’s cash flow hedge derivative instruments was \$1,015. For the fiscal year ended June 24, 2012, the Company did not reclassify any gains (losses) from Accumulated other comprehensive income to Interest expense and does not expect to do so during the next twelve months.

Foreign currency forward contracts

The Company or its subsidiaries may enter into foreign currency forward contracts as economic hedges for exposures related to certain sales, inventory purchases and equipment purchases which are denominated in currencies that are not its functional currency. As of June 24, 2012, the latest maturity date for all outstanding foreign currency forward contracts is during July 2012. These items are not designated as hedges by the Company and are marked-to-market each period and offset by the foreign exchange (gains) losses resulting from the underlying exposures of the foreign currency denominated assets and liabilities.

The fair values of derivative financial instruments were as follows:

As of June 24, 2012:		Notional Amount	USD Equivalent	Balance Sheet Location	Fair value
Foreign exchange contracts	MXN	6,500	\$ 497	Other Current Assets	\$ 28
Interest rate swaps	USD	\$ 85,000	\$ 85,000	Other long-term liabilities	\$ (1,015)
As of June 26, 2011:		Notional Amount	USD Equivalent	Balance Sheet Location	Fair value

Foreign exchange contracts	MXN		9,200	\$	770	Accrued expenses	\$	(2)
Interest rate swaps	USD	\$	25,000	\$	25,000	Other long-term liabilities	\$	(408)

(MXN represents the Mexican Peso)

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The fair values of the Company's foreign exchange contracts and interest rate swaps are estimated by obtaining month-end market quotes for contracts with similar terms.

The effect of marked-to-market hedging derivative instruments was as follows:

Derivatives not designated as hedges:	Classification:	For the Fiscal Years Ended		
		June 24, 2012	June 26, 2011	June 27, 2010
Foreign exchange contracts – MXN/USD	Other operating expenses, net	\$ (45)	\$ 89	\$ 101
Foreign exchange contracts – USD/\$R	Other operating expenses, net	(2)	27	11
Foreign exchange contracts – EU/USD	Other operating expenses, net	—	(287)	47
Total (gain) loss recognized in income		\$ (47)	\$ (171)	\$ 159

(EU represents the Euro; \$R represents the Brazilian Real)

By entering into derivative instrument contracts, the Company exposes itself to counterparty credit risk. The Company attempts to minimize this risk by selecting counterparties with investment grade credit ratings, limiting the amount of exposure to any single counterparty and regularly monitoring its market position with each counterparty. The Company's derivative instruments do not contain any credit risk related contingent features.

21. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities

The Company's financial assets and liabilities accounted for at fair value on a recurring basis and the level within the fair value hierarchy used to measure these items are as follows:

	Assets (Liabilities) at Fair Value as of June 24, 2012		
	Level 1	Level 2	Level 3
Foreign exchange derivative contracts	\$ —	\$ 28	\$ —
Total assets	\$ —	\$ 28	\$ —
Interest rate derivative contracts	\$ —	\$ (1,015)	\$ —
Total liabilities	\$ —	\$ (1,015)	\$ —
	Assets (Liabilities) at Fair Value as of June 26, 2011		
	Level 1	Level 2	Level 3
Foreign exchange derivative contracts	\$ —	\$ (2)	\$ —
Interest rate derivative contracts	—	(408)	—
Total liabilities	\$ —	\$ (410)	\$ —

There were no financial instruments measured at fair value that were in an asset position at June 26, 2011. The Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring basis.

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximated fair value as of June 24, 2012 and June 26, 2011 because of their short-term nature. As of June 24, 2012, the fair value of the Company's long-term debt obligations approximated their carrying amounts as there have been no changes to the Company's credit risk profile or the interest rates available to the Company for issuances with similar terms and average maturities.

22. Other Operating Expense (Income), Net

The components of Other operating expense (income), net consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Operating expenses for Renewables	\$ 1,633	\$ —	\$ —
Net loss on sale or disposal of assets	369	368	680
Foreign currency transaction (gains) losses	270	(19)	(145)
Restructuring charges, net	71	1,484	739
Impairment of long-lived assets	—	—	100
Gain from sale of nitrogen credits	—	—	(1,400)
Other, net	(272)	(228)	(168)
Total other operating expense (income), net	\$ 2,071	\$ 1,605	\$ (194)

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

Operating expenses for Renewables include amounts incurred for employee costs, land and equipment rental costs, operating supplies, product testing, administrative costs and depreciation and amortization charges. Certain of Renewables' land and equipment costs are contracted with an employee of Renewables. Impairment of long-lived assets relates to the Company's fiscal year 2010 disposal of certain assets in Kinston, North Carolina. Other, net consists primarily of rental income.

The components of restructuring charges, net consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Equipment relocation costs	\$ —	\$ 948	\$ 770
Reinstallation costs	—	628	—
Other	71	(92)	(31)
Total restructuring charges, net	<u>\$ 71</u>	<u>\$ 1,484</u>	<u>\$ 739</u>

On January 11, 2010, the Company announced the creation of Unifi Central America, Ltda. de C.V. ("UCA"). With a base of operations established in El Salvador, UCA serves customers primarily in the Central American region. The Company began dismantling and relocating certain polyester equipment from its Yadkinville, North Carolina facility to the region during the third quarter of fiscal year 2010 and completed the startup of the UCA manufacturing facility in the second quarter of fiscal year 2011. The costs incurred for the relocation of equipment to UCA and reinstalling previously idled texturing equipment to replace the manufacturing capacity at the Company's Yadkinville, North Carolina facility were charged to restructuring expense as incurred.

23. Other Non-Operating Expense, net

The components of Other non-operating expense, net consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Write-down of previously held equity interest	\$ 3,656	\$ —	\$ —
Refund of Brazilian non-income related tax	(1,488)	—	—
Unsuccessful bond refinancing costs	—	528	—
Other	—	78	—
Total other non-operating expense, net	<u>\$ 2,168</u>	<u>\$ 606</u>	<u>\$ —</u>

During fiscal year 2012, the Company's Brazilian operation recorded a gain of \$1,488 from a refund of non-income related taxes plus interest. During the 2000-2004 tax years UDB paid a tax based on gross revenue to the Brazilian federal government, which included a tax on interest income. The interest income portion of the tax was successfully challenged in the Brazilian courts. The taxes paid plus accrued interest were refunded to UDB during the December 2011 and March 2012 quarters.

24. Investments in Unconsolidated Affiliates and Variable Interest Entities

Parkdale America, LLC

In June 1997, the Company and Parkdale Mills, Inc. ("Mills") entered into a Contribution Agreement that set forth the terms and conditions by which the two companies contributed all of the assets of their spun cotton yarn operations utilizing open-end and air-jet spinning technologies to create Parkdale America, LLC ("PAL"). In exchange for its contribution, the Company received a 34% ownership interest in PAL which is accounted for using the equity method of accounting. Effective January 1, 2012, Mills' interest in PAL was assigned to Parkdale Incorporated. PAL's fiscal year end is the Saturday nearest to December 31 and is a limited liability company treated as a partnership for income tax reporting purposes. PAL is a producer of cotton and synthetic yarns for sale to the textile and apparel markets located throughout North and South America. PAL has 13 manufacturing facilities located primarily in the southeast region of the U.S. According to its most recently issued audited financial statements, PAL's five largest customers accounted for approximately 80% of total revenues and 72% of total gross accounts receivable outstanding, with the largest customer accounting for approximately 37% of revenues and 37% of accounts receivable.

In August 2008, a federal government program commenced providing economic adjustment assistance to domestic users of upland cotton. The program offers a subsidy for cotton consumed in domestic production and the subsidy is paid the month after the eligible cotton is consumed. The subsidy must be used within eighteen months after the marketing year earned to purchase qualifying capital expenditures in the U.S. for production of goods from upland cotton. The marketing year is from August 1 to July 31. The program currently provides a subsidy of four cents per pound through July 31, 2012 and three cents per pound for six years thereafter. The Company recognizes its share of PAL's income for the cotton subsidy when the cotton has been consumed and the qualifying assets have been acquired with an appropriate allocation methodology considering the dual criteria of the subsidy.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

On October 28, 2009, PAL acquired certain real property and machinery and equipment, as well as entered into lease agreements for certain real property, machinery and equipment, which constituted most of the yarn manufacturing operations of Hanesbrands Inc. (“HBI”). PAL also entered into a yarn supply agreement with HBI to supply at least 95% of the yarn used in the manufacturing of its apparel products at any of its locations in North America, Central America or the Caribbean Basin for a six-year period with an option for HBI to extend the agreement for two additional three-year periods.

On March 30, 2011, PAL amended its revolving credit facility to increase the maximum borrowing capacity from \$100,000 to \$200,000 and extend the maturity date from October 28, 2012 to July 31, 2014. PAL’s revolving credit facility charges a variable interest rate based on either the prime rate or LIBOR rate plus an applicable percentage. PAL’s revolving credit facility also has covenants in place such as an annual limit on capital expenditures, a minimum fixed-charge coverage ratio and a maximum leverage ratio. PAL informed the Company that as of June 2012, PAL’s cash on-hand was \$33,855, had no outstanding borrowings on its revolving credit facility and PAL was in compliance with all debt covenants.

PAL is subject to price risk related to fixed-price yarn sales. To protect the gross margin of these sales, PAL may enter into cotton futures to manage changes in raw material costs. The derivative instruments used are listed and traded on an exchange and are thus valued using quoted prices classified within Level 1 of the fair value hierarchy. PAL may also designate certain futures contracts as cash flow hedges with the effective portion of gains and losses recorded in accumulated other comprehensive income until the underlying transactions are recognized in income. As of June 2012, PAL’s accumulated other comprehensive income was comprised of losses related to futures contracts totaling \$3,570. Any ineffective portion of changes in fair value of cash flow hedges are recognized in earnings as they occur. All of PAL’s other derivatives not designated as hedges are marked-to-market each period with the changes in fair value recognized in current period earnings. In addition, PAL may enter into forward contracts for certain cotton purchases, which qualify as derivative instruments. However, these contracts meet the applicable criteria to qualify for the “normal purchases or normal sales” exemption.

As of June 24, 2012, the Company’s investment in PAL was \$92,131 and shown within Investments in unconsolidated affiliates in the Consolidated Balance Sheets. The reconciliation between the Company’s share of the underlying equity of PAL and its investment is as follows:

Underlying equity as of June 2012	\$	110,711
Initial excess capital contributions		53,363
Impairment charge recorded in 2007		(74,106)
Anti-trust lawsuit against PAL in which the Company did not participate		2,652
EAP adjustments		(489)
Investment as of June 2012	\$	<u>92,131</u>

U.N.F. Industries, Ltd.

In September 2000, the Company and Nilit Ltd. (“Nilit”) formed a 50/50 joint venture, U.N.F. Industries Ltd. (“UNF”), for the purpose of operating nylon extrusion assets to manufacture nylon POY. All raw material and production services for UNF are provided by Nilit under separate supply and services agreements. UNF’s fiscal year end is December 31st and it is a registered Israeli private company located in Migdal Ha-Emek, Israel.

UNF America, LLC

In October 2009, the Company and Nilit America Inc. (“Nilit America”) formed a 50/50 joint venture, UNF America LLC (“UNF America”), for the purpose of operating a nylon extrusion facility which manufactures nylon POY. All raw material and production services for UNF America are provided by Nilit America under separate supply and services agreements. UNF America’s fiscal year end is December 31st and it is a limited liability company treated as a partnership for income tax reporting purposes located in Ridgeway, Virginia.

In conjunction with the formation of UNF America, the Company entered into a supply agreement with UNF and UNF America whereby the Company agreed to purchase all of its first quality nylon POY requirements for texturing (subject to certain exceptions) from either UNF or UNF America. The agreement has no stated minimum purchase quantities and pricing is negotiated every six months, based on market rates. As of June 24, 2012, the Company’s open purchase orders related to this agreement were \$8,727.

The Company’s raw material purchases under this supply agreement consist of the following:

	For the Fiscal Years Ended		
	<u>June 24, 2012</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
UNF	\$ 12,875	\$ 18,698	\$ 14,848
UNF America	17,956	17,570	9,314
Total	<u>\$ 30,831</u>	<u>\$ 36,268</u>	<u>\$ 24,162</u>

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

As of June 24, 2012 and June 26, 2011, the Company had combined accounts payable due to UNF and UNF America of \$4,184 and \$4,124, respectively.

The Company is the primary beneficiary of these entities based on the terms of the supply agreement discussed above. As a result the Company has determined that UNF and UNF America are variable interest entities (“VIEs”) and, in accordance with U.S. GAAP, should be consolidated in the Company’s financial results. As the Company purchases substantially all of the output from the two entities, and, as the two entities’ balance sheets constitutes 3% or less of the Company’s current assets, total assets and total liabilities, the Company has not included the accounts of UNF and UNF America in its consolidated financial statements. As of June 24, 2012, the Company’s combined investments in UNF and UNF America were \$3,632 and are shown within Investments in unconsolidated affiliates in the Consolidated Balance Sheets. The financial results of UNF and UNF America are included in the Company’s financial statements with a one month lag, using the equity method of accounting and with intercompany profits eliminated in accordance with the Company’s accounting policy. Other than the supply agreement discussed above, the Company does not provide any other commitments or guarantees related to either UNF or UNF America.

Unaudited, condensed balance sheet and income statement information for the Company’s unconsolidated affiliates is presented in the following tables. As PAL is defined as significant, its information is separately disclosed. The operating results of Renewables are included through the end of the Company’s first quarter of fiscal year 2012, and thereafter Renewables results have been consolidated.

	As of June 24, 2012 (Unaudited)		
	PAL	Other	Total
Current assets	\$ 259,558	\$ 12,018	\$ 271,576
Noncurrent assets	130,677	759	131,436
Current liabilities	56,899	4,512	61,411
Noncurrent liabilities	7,717	—	7,717
Shareholders’ equity and capital accounts	325,619	8,265	333,884
The Company’s portion of undistributed earnings	22,381	769	23,150

	As of June 26, 2011 (Unaudited)		
	PAL	Other	Total
Current assets	\$ 398,338	\$ 13,405	\$ 411,743
Noncurrent assets	155,505	9,588	165,093
Current liabilities	100,284	5,588	105,872
Noncurrent liabilities	154,054	—	154,054
Shareholders’ equity and capital accounts	299,505	17,405	316,910

	For the Fiscal Year Ended June 24, 2012 (Unaudited)		
	PAL	Other	Total
Net sales	\$ 1,063,126	\$ 31,958	\$ 1,095,084
Gross profit	66,266	3,589	69,855
Income from operations	57,203	1,414	58,617
Net income	56,069	1,461	57,530
Depreciation and amortization	33,549	131	33,680
Cash received by PAL under EAP program	22,090	—	22,090
Earnings recognized by PAL for EAP program	21,769	—	21,769
Dividends and cash distributions received	9,616	1,000	10,616

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

	For the Fiscal Year Ended June 26, 2011 (Unaudited)		
	PAL	Other	Total
Net sales	\$ 1,110,184	\$ 38,292	\$ 1,148,476
Gross profit	80,754	5,739	86,493
Income from operations	70,132	2,545	72,677
Net income	68,946	1,794	70,740
Depreciation and amortization	31,979	1,185	33,164
Cash received by PAL under EAP program	28,795	—	28,795
Earnings recognized by PAL for EAP program	40,160	—	40,160
Dividends and cash distributions received	4,500	1,400	5,900

	For the Fiscal Year Ended June 27, 2010 (Unaudited)		
	PAL	Other	Total
Net sales	\$ 599,926	\$ 22,915	\$ 622,841
Gross profit	53,715	3,481	57,196
Income from operations	37,388	1,508	38,896
Net income	37,660	1,296	38,956
Depreciation and amortization	21,676	1,599	23,275
Cash received by PAL under EAP program	22,342	—	22,342
Earnings recognized by PAL for EAP program	16,162	—	16,162
Dividends and cash distributions received	3,265	—	3,265

25. Operating Leases

The Company routinely leases sales and administrative office space, warehousing and distribution centers, transportation equipment, manufacturing equipment, and other information technology and office equipment from third parties. In addition, Renewables leases farm land for use in growing FGM. Future minimum lease payments on a fiscal year basis to be made by the Company for non-cancelable operating leases with initial terms in excess of one year as of June 24, 2012 consisted of the following:

	2013	2014	2015	2016	2017	Thereafter
Minimum lease payments	\$ 1,433	\$ 1,259	\$ 1,116	\$ 772	\$ 557	\$ 314

Rental expenses incurred under operating leases, net of any sublease rental income consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Rental expenses	\$ 3,146	\$ 2,719	\$ 2,368

26. Commitments and Contingencies

Collective Bargaining Agreements

While employees of the Company's foreign operations are generally unionized, none of the Company's domestic labor force is currently covered by a collective bargaining agreement.

Environmental

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA S.a.r.l. ("INVISTA"). The land for the Kinston site was leased pursuant to a 99 year ground lease ("Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency ("EPA") and the North Carolina Department of Environment and Natural Resources ("DENR") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont. This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site. However, the Company continues to own a satellite service facility acquired in the INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

Unconditional Purchase Obligations

Certain of the Company's manufacturing operations are a party to unconditional purchase obligations for commitments for certain defined levels of utility resources. The Company expects to take delivery of and to use these resources within the defined time periods and in the normal course of business. These commitments qualify as normal purchases.

On a fiscal year basis, the payments expected to be made as part of these commitments are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
Unconditional purchase obligations	\$ 12,747	\$ 10,657	\$ 9,003	\$ 3,481	\$ —	\$ —

For fiscal years 2012, 2011, and 2010, utility costs incurred under these commitments consisted of the following:

	<u>For the Fiscal Years Ended</u>		
	<u>June 24, 2012</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
Utility costs for unconditional purchase obligations	\$ 31,272	\$ 34,677	\$ 33,070

27. Related Party Transactions

Related party receivables and payables consist of the following:

	<u>June 24, 2012</u>	<u>June 26, 2011</u>
Dillon Yarn Corporation	\$ 7	\$ 6
American Drawtech Company, Inc.	104	506
Total related party receivables (included within receivables, net)	<u>\$ 111</u>	<u>\$ 512</u>
Dillon Yarn Corporation	\$ 206	\$ 276
American Drawtech Company, Inc.	20	11
Salem Leasing Corporation	270	280
Total related party payables (included within accounts payable)	<u>\$ 496</u>	<u>\$ 567</u>

Related party transactions consist of the following:

Affiliated Entity	Transaction Type	<u>For the Fiscal Years Ended</u>		
		<u>June 24, 2012</u>	<u>June 26, 2011</u>	<u>June 27, 2010</u>
Dillon Yarn Corporation	Sales Service Agreement	\$ 845	\$ 1,300	\$ 1,500
Dillon Yarn Corporation	Sales	134	51	71
Dillon Yarn Corporation	Yarn Purchases	2,333	2,302	3,173
American Drawtech Company, Inc.	Sales	2,876	4,042	2,041
American Drawtech Company, Inc.	Yarn Purchases	147	129	53
Salem Leasing Corporation	Transportation Equipment Costs	3,096	3,400	2,975
Cupron, Inc.	Sales	116	26	—
Invemed Catalyst Fund L.P.	Stock Purchase	—	—	4,995

In fiscal year 2007, the Company purchased the polyester and nylon texturing operations of Dillon Yarn Corporation ("Dillon"). Mr. Mitchel Weinberger, the President and Chief Operating Officer of Dillon, is a member of the Company's Board. In connection with the Dillon acquisition, the Company and Dillon entered into an agreement under which the Company agreed to pay Dillon for certain sales and services to be provided by Dillon's sales staff and executive management. On December 19, 2011, the Company and Dillon entered into an amendment for the existing sales and service agreement. The amendment provides for a one year term beginning in January 2012 and consideration of \$106 paid quarterly. In addition, the Company recorded sales to and commission income from Dillon and has purchased products from Dillon in the ordinary course of business.

Mr. Weinberger is a board member and the Executive Vice President of American Drawtech Company, Inc. ("ADC").

Mr. Kenneth G. Langone, a member of the Company's Board, is a director, stockholder, and Chairman of the Board of Salem Holding Company. The Company leases tractors and trailers from Salem Leasing Corporation, a wholly-owned subsidiary of Salem Holding Company. In addition to the monthly minimum lease payments, the Company also incurs expenses for routine repair and maintenance and other expenses related to the leased tractors and trailers. The leases do not contain renewal, purchase options or escalation clauses.

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

During fiscal year 2012, the Company had sales to Cupron, Inc. (“Cupron”). Mr. William J. Armfield, IV is a member of the Company’s Board and holds an indirect minority equity interest in Cupron.

On November 25, 2009, the Company entered into a stock purchase agreement with Invemed Catalyst Fund L.P. (the “Fund”). The Company agreed to purchase 628 shares at a purchase price of \$7.95 (an approximate 10% discount to the closing price). The transaction closed on November 30, 2009 at a total purchase price of \$4,995. Mr. Langone is the principal stockholder and CEO of Invemed Securities, Inc., which is a managing member of Invemed Catalyst Gen Par, LLC, and the general partner of the Fund. Mr. William M. Sams, another member of the Company’s Board, is a limited partner of the Fund. Neither Mr. Langone nor Mr. Sams were involved in any decisions by the Board with respect to the stock purchase agreement.

28. Business Segment Information

The Company has three operating segments which are also its reportable segments. Each reportable segment derives its revenues as follows:

- The Polyester segment manufactures Chip, POY, textured, dyed, twisted and beamed yarns, virgin and recycled, with sales primarily to other yarn manufacturers, knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive upholstery, home furnishing, industrial and other end-use markets. The Polyester segment consists of manufacturing operations in the U.S. and El Salvador.
- The Nylon segment manufactures textured nylon and covered spandex yarns with sales to knitters and weavers that produce fabric for the apparel, hosiery, sock and other end-use markets. The Nylon segment consists of manufacturing operations in the U.S. and Colombia.
- The International segment’s products primarily include textured polyester and various types of resale yarns. The International segment sells its yarns to knitters and weavers that produce fabric for the apparel, automotive upholstery, home furnishing, industrial and other end-use markets primarily in the South American and Asian regions. This segment includes manufacturing and sales offices in Brazil and a sales office in China.

The Company evaluates the operating performance of its segments based upon Segment Adjusted Profit which is defined as segment gross profit plus segment depreciation and amortization less segment SG&A and segment other adjustments. Segment operating profit represents segment net sales less cost of sales, restructuring and impairment charges and SG&A expenses. The accounting policies for the segments are consistent with the Company’s accounting policies. Intersegment sales are accounted for at current market prices. Selected financial information for the Polyester, Nylon and International segments is presented below:

Segment Sales to external customers consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 393,981	\$ 375,605	\$ 308,691
Nylon	163,103	163,354	165,098
International	148,002	173,853	148,829
Segment sales to external customers	<u>\$ 705,086</u>	<u>\$ 712,812</u>	<u>\$ 622,618</u>

Intersegment Sales for each of the reportable segments consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 2,179	\$ 2,668	\$ 8,415
Nylon	314	1,298	291
International	1,351	1,084	821
Intersegment sales	<u>\$ 3,844</u>	<u>\$ 5,050</u>	<u>\$ 9,527</u>

The reconciliations of Segment Operating Profit to Consolidated Income Before Income Taxes are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ (5,995)	\$ (2,547)	\$ (7,792)
Nylon	8,034	11,010	10,856
International	8,804	20,046	21,414
Segment operating profit	10,843	28,509	24,478
Provision (benefit) for bad debts	211	(304)	123
Other operating expense (income), net	2,000	121	(1,033)
Consolidated operating income	8,632	28,692	25,388
Interest income	(1,921)	(2,511)	(3,125)
Interest expense	16,073	19,190	21,889
Loss (gain) on extinguishment of debt	3,203	3,337	(54)
Equity in earnings of unconsolidated affiliates	(19,740)	(24,352)	(11,693)
Other non-operating expense, net	2,168	606	–
Income before income taxes	<u>\$ 8,849</u>	<u>\$ 32,422</u>	<u>\$ 18,371</u>

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The reconciliations of Segment Depreciation and Amortization Expense to Consolidated Depreciation and Amortization Expense are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 19,046	\$ 18,470	\$ 19,679
Nylon	3,089	3,287	3,477
International	4,011	3,786	3,045
Segment depreciation and amortization expense	26,146	25,543	26,201
Depreciation and amortization included in other operating expense (income), net	119	19	111
Amortization included in interest expense	870	415	1,104
Consolidated depreciation and amortization expense	<u>\$ 27,135</u>	<u>\$ 25,977</u>	<u>\$ 27,416</u>

Segment Restructuring Charges for each of the reportable segments consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ –	\$ 1,576	\$ 770
Nylon	71	(92)	(31)
International	–	–	–
Segment restructuring charges	<u>\$ 71</u>	<u>\$ 1,484</u>	<u>\$ 739</u>

Segment Other Adjustments for each of the reportable segments consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ (138)	\$ 3,161	\$ 1,127
Nylon	33	(150)	–
International	382	–	–
Segment Other adjustments	<u>\$ 277</u>	<u>\$ 3,011</u>	<u>\$ 1,127</u>

Segment Adjusted Profit for each of the reportable segments consists of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 12,913	\$ 20,660	\$ 13,784
Nylon	11,227	14,055	14,302
International	13,197	23,832	24,459
Segment adjusted profit	<u>\$ 37,337</u>	<u>\$ 58,547</u>	<u>\$ 52,545</u>

The reconciliations of Segment Capital Expenditures to Consolidated Capital Expenditures are as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 3,246	\$ 13,650	\$ 9,709
Nylon	487	1,057	825
International	1,610	5,626	2,313
Segment capital expenditures	5,343	20,333	12,847
Unallocated corporate capital expenditures	1,011	206	265
Consolidated capital expenditures	<u>\$ 6,354</u>	<u>\$ 20,539</u>	<u>\$ 13,112</u>

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

The reconciliations of Segment Total Assets to Consolidated Total Assets are as follows:

	June 24, 2012	June 26, 2011	June 27, 2010
Polyester	\$ 198,321	\$ 219,723	\$ 209,314
Nylon	74,569	81,132	81,398
International	88,040	125,248	111,624
Segment total assets	360,930	426,103	402,336
All other current assets	9,424	6,637	11,151
Unallocated corporate PP&E	10,404	9,711	10,282
All other non-current assets	5,712	3,667	7,200
Investments in unconsolidated affiliates	95,763	91,258	73,543
Consolidated total assets	<u>\$ 482,233</u>	<u>\$ 537,376</u>	<u>\$ 504,512</u>

Geographic Data:

Geographic information for net sales is as follows:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
U.S.	\$ 515,522	\$ 502,255	\$ 463,222
Brazil	125,737	144,669	130,663
All Other Foreign	63,827	65,888	28,733
Total	<u>\$ 705,086</u>	<u>\$ 712,812</u>	<u>\$ 622,618</u>

The information for net sales is based on the operating locations from where the items were produced or distributed. Export sales from the Company's U.S. operations to external customers were \$84,558, \$82,944 and \$94,255 for the fiscal years ended June 24, 2012, June 26, 2011 and June 27, 2010, respectively.

Geographic information for long-lived assets is as follows:

	June 24, 2012	June 26, 2011	June 27, 2010
U.S.	\$ 215,910	\$ 229,170	\$ 223,297
Brazil	19,121	27,918	22,732
All Other Foreign	7,915	6,219	5,753
Total	<u>\$ 242,946</u>	<u>\$ 263,307</u>	<u>\$ 251,782</u>

Long-lived assets are comprised of property, plant and equipment, net, certain intangible and other non-current assets.

29. Quarterly Results (Unaudited)

Quarterly financial data is as follows:

	For the Quarters Ended			
	September 25,			
	2011	December 25, 2011	March 25, 2012	June 24, 2012
Net sales	\$ 171,013	\$ 167,110	\$ 179,037	\$ 187,926
Gross profit	11,830	10,882	13,590	18,094
Net income (loss) including non-controlling interest	286	(7,817)	7,310	11,049
Less: net (loss) attributable to non-controlling interest	–	(209)	(225)	(229)
Net income (loss) attributable to Unifi, Inc.	\$ 286	\$ (7,608)	\$ 7,535	\$ 11,278
Net income (loss) attributable to Unifi, Inc. per common share:				
Basic (1)	\$ 0.01	\$ (0.38)	\$ 0.38	\$ 0.56
Diluted (1)	\$ 0.01	\$ (0.38)	\$ 0.37	\$ 0.55

Selected highlights for the Company's quarterly results are as follows:

- For the quarter ended December 25, 2011, the Company acquired an additional 20% membership interest in Renewables. As a result of remeasuring its existing interest to fair value, the Company recorded a \$3,656 write-down for its previously held equity interest in Renewables,

Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

- For the quarter ended June 24, 2012 net income was negatively impacted by a \$2,741 charge related to the early extinguishment of debt incurred as a result of the Company's May 2012 debt refinancing and subsequent prepayments, and
- For the quarter ended June 24, 2012, the Company released previously recorded valuation allowances against certain of its domestic deferred tax assets resulting in a \$6,017 benefit recorded to income tax expense.

	For the Quarters Ended			
	September 26, 2010	December 26, 2010	March 27, 2011	June 26, 2011
Net sales	\$ 175,092	\$ 162,139	\$ 179,390	\$ 196,191
Gross profit	21,546	19,490	15,601	18,015
Net income (loss)	10,235	5,385	(4,045)	13,514
Net income (loss) per common share:				
Basic (1)	\$ 0.51	\$ 0.27	\$ (0.20)	\$ 0.67
Diluted (1)	\$ 0.50	\$ 0.26	\$ (0.20)	\$ 0.66

- (1) Income per share is computed independently for each of the periods presented. The sum of the income per share amounts for the quarters may not equal the total for the year.

30. Subsequent Events

The Company evaluated all events and material transactions for potential recognition or disclosure through such time as these statements were filed with the Securities and Exchange Commission and determined there were no items deemed reportable other than the \$4,515 optional prepayment of the Term B Loan that was completed on July 2, 2012.

31. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Fiscal Years Ended		
	June 24, 2012	June 26, 2011	June 27, 2010
Interest, net of capitalized interest	\$ 16,689	\$ 19,292	\$ 20,696
Income taxes, net of refunds	3,988	7,486	8,550

Cash payments for taxes shown above consist primarily of tax payments made by the Company in foreign jurisdictions.

CREDIT AGREEMENT

by and among

WILMINGTON TRUST, NATIONAL ASSOCIATION,

as Administrative Agent,

THE LENDERS THAT ARE PARTIES HERETO,

as the Lenders, and

UNIFI, INC. and Certain of its Domestic Subsidiaries,

as Borrowers

Dated as of May 24, 2012

TABLE OF CONTENTS

		Page
1.	DEFINITIONS AND CONSTRUCTION	1
1.1	Definitions	1
1.2	Accounting Terms; Rounding	1
1.3	Code	2
1.4	Construction	2
1.5	Time References; Timing of Payment or Performance	3
1.6	Schedules and Exhibits	3
2.	LOANS AND TERMS OF PAYMENT	3
2.1	Term Loan	3
2.2	[Reserved]	3
2.3	Payments; Reductions of Commitments; Prepayments	3
2.4	Promise to Pay	7
2.5	Interest Rates	7
2.6	Crediting Payments	8
2.7	Designated Account	8
2.8	Maintenance of Loan Account; Statements of Obligations	8
2.9	Agent Fees	9
2.10	[Reserved]	9
2.11	[Reserved]	9
2.12	Special Provisions Applicable to LIBOR Rate	9
2.13	Capital Requirements	9
2.14	Joint and Several Liability of Borrowers; Borrower Representative	11
3.	CONDITIONS; TERM OF AGREEMENT	13
3.1	Conditions Precedent to the Extension of Credit	13
3.2	[Reserved]	13
3.3	Maturity	13
3.4	Effect of Maturity	13
4.	REPRESENTATIONS AND WARRANTIES	14
4.1	Due Organization and Qualification; Subsidiaries	14
4.2	Due Authorization; No Conflict	14
4.3	Governmental Consents	15
4.4	Binding Obligations; Perfected Liens	15
4.5	Title to Assets; No Encumbrances	15
4.6	Litigation	15
4.7	Compliance with Laws	15

TABLE OF CONTENTS

(continued)

		Page
4.8	No Material Adverse Effect	16
4.9	Solvency	16
4.10	Employee Benefits	16
4.11	Environmental Condition	16
4.12	Complete Disclosure	16
4.13	Patriot Act	16
4.14	Indebtedness	17
4.15	Payment of Taxes	17
4.16	Margin Stock	17
4.17	Governmental Regulation	17
4.18	OFAC	17
4.19	Employee and Labor Matters	17
4.20	Excluded Subsidiaries	18
4.21	Leases	18
4.22	[Reserved]	18
4.23	[Reserved]	18
4.24	Location of Equipment and Inventory	18
4.25	Inventory Records	18
4.26	First Lien Loan Documents	18
4.27	Indenture and Redemption Documents	18
5.	AFFIRMATIVE COVENANTS	19
5.1	Financial Statements, Reports, Certificates	19
5.2	Reporting	19
5.3	Existence	19
5.4	Maintenance of Properties	19
5.5	Taxes	19
5.6	Insurance	19
5.7	Inspection	20
5.8	Compliance with Laws	20
5.9	Environmental	20
5.10	Disclosure Updates	20
5.11	Formation of Subsidiaries	21
5.12	Further Assurances	21
5.13	Lender Meetings	21

TABLE OF CONTENTS
(continued)

	Page	
5.14	Location of Equipment, Inventory and Chief Executive Office	22
5.15	Collection Accounts	22
5.16	Hedging of Interest Rate Risks	22
5.17	Post Closing Deliverables	22
6.	NEGATIVE COVENANTS	22
6.1	Indebtedness	22
6.2	Liens	23
6.3	Restrictions on Fundamental Changes	23
6.4	Disposal of Assets	23
6.5	Nature of Business	23
6.6	Prepayments and Amendments	23
6.7	Restricted Payments	24
6.8	Accounting Methods	24
6.9	Investments	24
6.10	Transactions with Affiliates	24
6.11	Use of Proceeds	25
6.12	Limitation on Issuance of Equity Interests	25
6.13	Inventory with Bailees	25
6.14	Excluded Subsidiaries	25
6.15	Restrictions on Subsidiary Distributions	25
7.	FINANCIAL COVENANTS	26
8.	EVENTS OF DEFAULT	26
8.1	Payments	26
8.2	Covenants	26
8.3	Judgments	26
8.4	Voluntary Bankruptcy, etc	27
8.5	Involuntary Bankruptcy, etc	27
8.6	Default Under Other Agreements	27
8.7	Representations, etc	27
8.8	Guaranty	27
8.9	Security Documents	27
8.10	Loan Documents	27
8.11	Change of Control	27
9.	RIGHTS AND REMEDIES	27

TABLE OF CONTENTS
(continued)

		Page	
	9.1	Rights and Remedies	27
	9.2	Remedies Cumulative	28
10.	WAIVERS; INDEMNIFICATION		28
	10.1	Demand; Protest; etc	28
	10.2	The Lender Group's Liability for Collateral	28
	10.3	Indemnification	28
11.	NOTICES		29
12.	CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION		30
13.	ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS		33
	13.1	Assignments and Participations	33
	13.2	Successors	36
14.	AMENDMENTS; WAIVERS		36
	14.1	Amendments and Waivers	36
	14.2	Replacement of Certain Lenders	38
	14.3	No Waivers; Cumulative Remedies	38
15.	AGENT; THE LENDER GROUP		38
	15.1	Appointment and Authorization of Agent	38
	15.2	Delegation of Duties	39
	15.3	Liability of Agent	39
	15.4	Reliance by Agent	40
	15.5	Notice of Default or Event of Default	40
	15.6	Credit Decision	40
	15.7	Costs and Expenses; Indemnification	41
	15.8	Agent in Individual Capacity	41
	15.9	Successor Agent	42
	15.10	Lender in Individual Capacity	42
	15.11	Collateral Matters	42
	15.12	Restrictions on Actions by Lenders; Sharing of Payments	44
	15.13	Agency for Perfection	44
	15.14	Payments by Agent to the Lenders	44
	15.15	Concerning the Collateral and Related Loan Documents	44
	15.16	[Reserved]	44
	15.17	Several Obligations; No Liability	44
16.	WITHHOLDING TAXES		45

TABLE OF CONTENTS
(continued)

		Page
16.1	Payments	45
16.2	Exemptions	45
16.3	Reductions	46
16.4	Refunds	47
17.	GENERAL PROVISIONS	47
17.1	Effectiveness	47
17.2	Section Headings	47
17.3	Interpretation	47
17.4	Severability of Provisions	48
17.5	[Reserved]	48
17.6	Debtor-Creditor Relationship	48
17.7	Counterparts; Electronic Execution	48
17.8	Revival and Reinstatement of Obligations; Certain Waivers	48
17.9	Confidentiality	48
17.10	Survival	50
17.11	Patriot Act	50
17.12	Integration	50
17.13	Intercreditor Agreement	50

EXHIBITS AND SCHEDULES

Exhibit A-1	Form of Assignment and Acceptance
Exhibit C-1	Form of Compliance Certificate
Exhibit P-1	Form of Perfection Certificate
Schedule A-1	Agent's Account
Schedule A-2	Authorized Persons
Schedule C-1	Commitments
Schedule D-1	Designated Account
Schedule E-2	Existing Letters of Credit
Schedule F-1	Historical Fixed Charge Amounts
Schedule P-1	Permitted Investments
Schedule P-2	Permitted Liens
Schedule R-1	Real Property Collateral
Schedule 1.1	Definitions
Schedule 3.1	Conditions Precedent
Schedule 4.1(b)	Capitalization of Subsidiaries
Schedule 4.1(c)	Subscriptions, Options, Etc.
Schedule 4.11	Environmental Matters
Schedule 4.14	Permitted Indebtedness
Schedule 4.20	Excluded Subsidiaries
Schedule 4.24	Location of Equipment and Inventory
Schedule 5.1	Financial Statements, Reports, Certificates
Schedule 5.2	Collateral Reporting

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this “Agreement”), is entered into as of May 24, 2012, by and among the lenders identified on the signature pages hereof (each of such lenders, together with its successors and permitted assigns, is referred to hereinafter as a “Lender”, as that term is hereinafter further defined), **WILMINGTON TRUST, NATIONAL ASSOCIATION**, as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, “Agent”), and **UNIFI, INC.**, a New York corporation (“Parent”), and its Domestic Subsidiaries that are signatories hereto or that hereafter become parties hereto, as co-borrowers (collectively, “Borrowers”).

WHEREAS, the Parent and Borrowers have entered into certain Credit Agreement, dated as of May 24, 2012 (such agreement as in effect on the date hereof (without giving effect to any subsequent amendment, supplement or modification thereof, the “Initial First Lien Loan Agreement”) by and among the Borrowers, the lenders parties thereto from time to time (collectively, the “First Lien Lenders”), and Wells Fargo Bank, N.A., as the administrative agent (in such capacity, the “First Lien Agent”) pursuant to which the First Lien Lenders provided a revolving credit, term loan and letter of credit facility.

WHEREAS, the Borrowers have requested that, the Lenders lend to the Borrowers \$30,000,000 in the form of term B loans, to enable the Borrowers, together with the proceeds of the term loans under the First Lien Loan Agreement, to refinance substantially all indebtedness of the Borrower and its Subsidiaries, pay transaction fees and expenses in connection with the transactions contemplated herein, and provide ongoing working capital for, and for other general corporate purposes of, the Borrowers and its Subsidiaries.

WHEREAS, the Lenders have indicated their willingness to agree to lend such amounts on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby represent, warrant, covenant and agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** Capitalized terms used in this Agreement shall have the meanings specified therefor on Schedule 1.1, unless otherwise defined herein.

1.2 **Accounting Terms; Rounding.** All accounting terms not specifically defined herein shall be construed in accordance with GAAP; provided, that if Parent notifies Agent that Parent requests an amendment to any provision hereof to eliminate the effect of any Accounting Change occurring after the Closing Date or in the application thereof on the operation of such provision (or if Agent notifies Parent that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such Accounting Change or in the application thereof, then Agent and Borrowers agree that they will negotiate in good faith amendments to the provisions of this Agreement that are directly affected by such Accounting Change with the intent of having the respective positions of the Lenders and Borrowers after such Accounting Change conform as nearly as possible to their respective positions as of the date of this Agreement and, until any such amendments have been agreed upon and agreed to by the Required Lenders, the provisions in this Agreement shall be calculated as if no such Accounting Change had occurred. When used herein, the term “financial statements” shall include the notes and schedules thereto. Whenever the term “Loan Parties” is used in respect of a financial covenant or a related definition, it shall be understood to mean the Loan Parties on a consolidated basis (without inclusion of Subsidiaries of Parent that are not Loan Parties), unless the context clearly requires otherwise. Notwithstanding anything to the contrary contained herein, (a) all financial statements delivered hereunder shall be prepared, and all financial covenants contained herein shall be calculated, without giving effect to any election under the Statement of Financial Accounting Standards No. 159 (or any similar accounting principle) permitting a Person to value its financial liabilities or Indebtedness at the fair value thereof, and (b) the term “unqualified opinion” as used herein to refer to opinions or reports provided by accountants shall mean an opinion or report that is (i) unqualified, and (ii) does not include any explanation, supplemental comment or other comment concerning the ability of the applicable Person to continue as a going concern or concerning the scope of the audit.

1.3 **Code.** Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein; provided, that, to the extent that the Code is used to define any term herein and such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern.

1.4 **Construction.** Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in any other Loan Document to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties including, without limitation, cash, securities accounts and contract rights. Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean (a) the payment or repayment in full in immediately available funds of (i) the principal amount of, and interest accrued and unpaid with respect to, all outstanding Loans, together with the payment of any premium applicable to the repayment of the Loans, (ii) all Lender Group Expenses that have accrued and are unpaid regardless of whether demand has been made therefor, (iii) all fees or charges that have accrued hereunder or under any other Loan Document and are unpaid, (b) the receipt by Agent of cash collateral in order to secure any other contingent Obligations for which a claim or demand for payment has been made on or prior to such time or in respect of matters or circumstances known to Agent or a Lender at such time that are reasonably expected to result in any loss, cost, damage, or expense (including attorneys fees and legal expenses), such cash collateral to be in such amount as Agent reasonably determines is appropriate to secure such contingent Obligations, (c) the payment or repayment in full in immediately available funds of all other outstanding Obligations other than unasserted contingent indemnification Obligations, and (e) the termination of all of the Commitments of the Lenders. Any reference herein to any Person shall be construed to include such Person’s successors and assigns. Any requirement of a writing contained herein or in any other Loan Document shall be satisfied by the transmission of a Record. Any reference herein to “subject to the Intercreditor Agreement” or “subject to the terms of the Intercreditor Agreement” or words of like import, is not, and shall not be construed to be, for the benefit of the Borrowers or any other Loan Party, and such provision shall be permitted to be amended, modified or waived in accordance with the Intercreditor Agreement without the consent of the Borrowers or any other Loan Party.

1.5 **Time References; Timing of Payment or Performance.** Unless the context of this Agreement or any other Loan Document clearly requires otherwise, all references to time of day refer to Eastern standard time or Eastern daylight saving time, as in effect in Atlanta, Georgia on such day. For purposes of the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to and including”; provided that, with respect to a computation of fees or interest payable to Agent or any Lender, such period shall in any event consist of at least one full day. Except as otherwise provided herein, when the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment or performance shall extend to the immediately preceding Business Day. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on February 29 in any year that is not a leap year, such payment or performance shall be due on March 1.

1.6 **Schedules and Exhibits.** All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. **LOANS AND TERMS OF PAYMENT.**

2.1 **Term Loan.** Subject to the terms and conditions of this Agreement, on the Closing Date each Lender agrees (severally, not jointly or jointly and severally) to make term loans (collectively, the “Term Loan”) to Borrowers in a principal amount equal to such Lender’s Pro Rata Share of the Term Loan Amount; provided, however, such Term Loan shall be funded on the Closing Date by each Lender in an amount equal to such Lender’s Pro Rata Share of the Term Loan Amount less an original issue discount in an amount equal to such Lender’s Pro Rata Share of \$300,000 (it being understood and agreed that the full principal amount of the Term Loan Amount will be deemed outstanding on the Closing Date and the Borrower shall be obligated to repay 100% of the principal amount of the Term Loan Amount as provided hereunder). All unpaid principal (and all accrued and unpaid interest) on the Term Loan shall be repaid on the earlier of (a) the Maturity Date, and (b) the date of the acceleration of the Term Loan in accordance with Section 9.1. Any principal amount of the Term Loan that is repaid or prepaid may not be reborrowed. All principal of, interest on, and other amounts payable in respect of the Term Loan shall constitute Obligations hereunder.

2.2 **[Reserved].**

2.3 **Payments; Reductions of Commitments; Prepayments.**

(a) **Payments by Borrowers.**

(i) Except as otherwise expressly provided herein, all payments by Borrowers shall be made to Agent’s Account for the account of the Lender Group and shall be made in immediately available funds, no later than 12:00 p.m. on the date specified herein. Any payment received by Agent later than 12:00 p.m. shall be deemed to have been received (unless Agent, in its sole discretion, elects to credit it on the date received) on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Unless Agent receives notice from Borrowers prior to the date on which any payment is due to the Lenders that Borrowers will not make such payment in full as and when required, Agent may assume that Borrowers have made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent Borrowers do not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent on demand such amount distributed to such Lender, together with interest thereon at the then applicable interest rate hereunder for each day from the date such amount is distributed to such Lender until the date repaid.

(b) **Apportionment and Application .**

(i) So long as no Application Event has occurred and is continuing, all principal and interest payments received by Agent shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and all payments of fees and expenses received by Agent (other than fees or expenses that are for Agent's separate account) shall be apportioned ratably among the Lenders having a Pro Rata Share of the Obligation to which a particular fee or expense relates. Subject to Section 2.3(b)(iv), Section 2.3(d)(ii), and Section 2.3(e), all payments to be made hereunder by Borrowers shall be remitted to Agent and all such payments, and all proceeds of Collateral received by Agent, shall be applied, so long as no Application Event has occurred and is continuing, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(ii) At any time that an Application Event has occurred and is continuing, all payments remitted to Agent and all proceeds of Collateral received by Agent shall be applied as follows:

(A) first, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to Agent under the Loan Documents, until paid in full,

(B) second, to pay any fees or premiums then due to Agent under the Loan Documents until paid in full,

(C) third, ratably, to pay any Lender Group Expenses (including cost or expense reimbursements) or indemnities then due to any of the Lenders under the Loan Documents, until paid in full,

(D) fourth, ratably, to pay any fees or premiums then due to any of the Lenders under the Loan Documents until paid in full,

(E) fifth, ratably, to pay interest accrued in respect of the Term Loans until paid in full,

(F) sixth, ratably to pay the principal of all Term Loans until paid in full,

(G) seventh, to pay any other Obligations, and

(H) last, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.

(iii) Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive.

(iv) In each instance, so long as no Application Event has occurred and is continuing, Section 2.3(b)(i) shall not apply to any payment made by Borrowers to Agent and specified by Borrowers to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement or any other Loan Document.

(v) For purposes of Section 2.3(b)(ii), “paid in full” of a type of Obligation means payment in cash or immediately available funds of all amounts owing on account of such type of Obligation, including interest accrued after the commencement of any Insolvency Proceeding, default interest, interest on interest, and expense reimbursements, irrespective of whether any of the foregoing would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

(vi) In the event of a direct conflict between the priority provisions of this Section 2.3 and any other provision contained in this Agreement or any other Loan Document, it is the intention of the parties hereto that such provisions be read together and construed, to the fullest extent possible, to be in concert with each other.

(c) **Termination of Term Loan Commitments.** The Term Loan Commitments shall terminate upon the making of the Term Loan.

(d) **Optional Prepayment of Term Loan.** Borrowers may, upon at least 5 Business Days prior written notice to Agent, prepay the principal of the Term Loan, in whole or in part, each such partial prepayment to be in an amount of no less than \$500,000 (or any integral multiple thereof). Each prepayment made pursuant to this Section 2.3(d) shall be accompanied by the payment of accrued interest to the date of such payment on the amount prepaid and the applicable Call Premium, if any, and a certificate pursuant to Section 4.5 of the Intercreditor Agreement. Each such prepayment shall be applied to the outstanding principal amount of the Term Loan until paid in full.

(e) **Mandatory Prepayments.**

(i) **Dispositions of Parkdale JV Interests Collateral.** Within 1 Business Day of the date of receipt by any Loan Party of Net Cash Proceeds of any voluntary or involuntary sale or disposition by Unifi Manufacturing of any Parkdale JV Interests Collateral, unless otherwise requested by the Required Lenders, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.3(f) in an amount equal to 100% of such Net Cash Proceeds received by any Loan Party in connection with such sales or dispositions. Nothing contained in this Section 2.2(e)(i) shall permit Parent or any of its Subsidiaries to sell or otherwise dispose of any assets other than in accordance with Section 6.4.

(ii) **Parkdale JV Distributions.** Within 1 Business Day of the date of receipt by any Loan Party of Net Cash Proceeds of any distribution from the Parkdale JV (other than any Parkdale JV Tax Distribution) during any calendar year, unless otherwise requested by the Required Lenders, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.3(f) in an amount equal to (a) 100% of the first \$3,000,000 of Net Cash Proceeds received from such distributions during such calendar year, and (b) 50% of the portion of Net Cash Proceeds in excess of \$3,000,000 received from such distributions during such calendar year.

(iii) **Dispositions.** Subject to the Intercreditor Agreement, within 1 Business Day of the date of receipt by any Loan Party of the Net Cash Proceeds of any voluntary or involuntary sale or disposition by any Loan Party of assets (including casualty losses or condemnations, but excluding (y) sales or dispositions which qualify as Permitted Dispositions under clauses (b), (c), (d), (e), (i), (j), (k), (l), (m) or (n) of the definition of Permitted Dispositions, and (z) sales or dispositions which qualify as Permitted Dispositions under clauses (a) or (p) of the definition of Permitted Dispositions (except to the extent the aggregate Net Cash Proceeds received from any sales or dispositions thereunder during any fiscal year exceed \$500,000, in which case such excess Net Cash Proceeds shall be subject to prepayment hereunder) other than the Parkdale JV Interests Collateral), unless otherwise requested by the Required Lenders, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.3(f) in an amount equal to 100% of such Net Cash Proceeds (including condemnation awards and payments in lieu thereof) received by such Person in connection with such sales or dispositions and not used to permanently prepay loans under the First Loan Credit Agreement; provided, that, in the case of Excess Casualty/Condemnation Proceeds from any casualty loss or condemnation, so long as (A) no Default or Event of Default shall have occurred and is continuing or would result therefrom, (B) Borrowers shall have given Agent prior written notice of Borrowers' intention to apply such Excess Casualty/Condemnation Proceeds to the costs of replacement or repair of the properties or assets that are the subject of such loss or condemnation, (C) the monies are held in a Deposit Account in which Agent has a perfected security interest, and (D) the applicable Loan Party completes such replacement or repair within 365 days after the initial receipt of such monies, then the Loan Party whose assets were the subject of such loss or condemnation shall have the option to apply such Excess Casualty/Condemnation Proceeds to the costs of replacement or repair of the assets that are the subject of such loss or disposition unless and to the extent that such applicable period shall have expired without such replacement or repair being made or completed, in which case, any amounts remaining in the Deposit Account referred to in clause (C) above shall be applied in accordance with Section 2.3(f). Nothing contained in this Section 2.3(e)(iii) shall permit Parent or any of its Subsidiaries to sell or otherwise dispose of any assets other than in accordance with Section 6.4.

(iv) **Extraordinary Receipts.** Subject to the Intercreditor Agreement, within 1 Business Day of the date of receipt by any Loan Party of any Extraordinary Receipts in excess of \$500,000, unless otherwise requested by the Required Lenders, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.3(f) in an amount equal to 100% of such Extraordinary Receipts received and not used to permanently prepay loans under the First Lien Loan Agreement, net of any reasonable expenses incurred in collecting such Extraordinary Receipts.

(v) **Indebtedness.** Subject to the Intercreditor Agreement and unless otherwise requested by the Required Lenders, within 1 Business Day of the date of receipt of cash proceeds from any incurrence by any Loan Party of any Indebtedness (other than Permitted Indebtedness), unless otherwise requested by the Required Lenders, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.3(f) in an amount equal to 100% of the Net Cash Proceeds received by such Loan Party in connection with such incurrence and not used to permanently prepay loans under the First Lien Loan Agreement. The provisions of this Section 2.3(e)(iv) shall not be deemed to be implied consent to any such incurrence otherwise prohibited by the terms of this Agreement

(vi) **Equity.** Subject to the Intercreditor Agreement and unless otherwise requested by the Required Lenders, within 1 Business Day of the date of receipt of cash proceeds from any issuance by any Loan Party of any Equity Interests (other than (A) in the event that any Loan Party forms any Subsidiary in accordance with the terms hereof, the issuance by such Subsidiary of Equity Interests to a Loan Party, (B) the issuance of Equity Interests of Parent to directors, officers and employees of Parent and its Subsidiaries pursuant to employee stock option plans (or other employee incentive plans or other compensation arrangements) approved by the Board of Directors, (C) the issuance of Equity Interests of Parent in order to finance the purchase consideration (or a portion thereof) in connection with a Permitted Acquisition, and (D) the issuance of Equity Interests by a Loan Party to its parent or member in connection with the contribution by such parent or member to such Loan Party of the proceeds of an issuance described in clauses (A) through (C) above), unless otherwise requested by the Required Lenders, Borrowers shall prepay the outstanding principal amount of the Obligations in accordance with Section 2.3(f) in an amount equal to 100% of the Net Cash Proceeds received by such Loan Party in connection with such issuance and not used to prepay loans under the First Lien Loan Agreement. The provisions of this Section 2.3(e)(v) shall not be deemed to be implied consent to any such issuance otherwise prohibited by the terms of this Agreement.

(f) **Application of Mandatory Payments.** Subject to the Intercreditor Agreement, each prepayment made pursuant to Section 2.3(e) shall, (A) so long as no Application Event shall have occurred and be continuing, be applied to the outstanding principal amount of the Term Loans until paid in full, and (B) if an Application Event shall have occurred and be continuing, be applied in the manner set forth in Section 2.3(b)(ii).

(g) **Prepayment Premium.** Notwithstanding anything herein to the contrary, each prepayment made pursuant to Section 2.3(d), Section 2.3(e)(i), Section 2.3(e)(ii), Section 2.3(e)(iii), Section 2.3(e)(iv) or Section 2.3(e)(v) shall be accompanied by the payment of a premium, in addition to the principal being prepaid (the "Call Premium") as follows: (a) from the Closing Date, payable to the Agent for the ratable account of the Lenders, through the first anniversary of the Closing Date, 3% of the principal amount paid or prepaid, (b) from the day immediately subsequent to the first anniversary of the Closing Date through the second anniversary of the Closing Date, 2% of the principal amount paid or prepaid, (c) from the day immediately subsequent to the second anniversary of the Closing Date through the third anniversary of the Closing Date, 1% of the principal amount paid or prepaid, and (d) at any time thereafter, zero.

2.4 **Promise to Pay.** Borrowers agree to pay the Lender Group Expenses on the earlier of (a) the first day of the month following the date on which the applicable Lender Group Expenses were first incurred or (b) the date on which demand therefor is made by Agent (it being acknowledged and agreed that any charging of such costs, expenses or Lender Group Expenses to the Loan Account pursuant to the provisions of Section 2.5(d) shall be deemed to constitute a demand for payment thereof for the purposes of this clause (b)). Borrowers promise to pay all of the Obligations (including principal, interest, premiums, if any, fees, costs, and expenses (including Lender Group Expenses)) in full on the Maturity Date or, if earlier, on the date on which the Obligations become due and payable pursuant to the terms of this Agreement. Borrowers agree that their obligations contained in the first sentence of this Section 2.4 shall survive payment or satisfaction in full of all other Obligations.

2.5 **Interest Rates**

(a) **Interest Rates.** Except as provided in Section 2.5(c), all Obligations that have been charged to the Loan Account pursuant to the terms hereof shall bear interest at a *per annum* rate equal to the LIBOR Rate plus the LIBOR Rate Term Loan Margin. For the avoidance of doubt, the LIBOR Rate shall be first calculated on the Closing Date, and shall be recalculated on the first day of each subsequent month, per the definition of "LIBOR Rate" set forth on Schedule 1.1.

(b) **[Reserved].**

(c) **Default Rate.** Upon the occurrence and during the continuation of an Event of Default and at the election of Agent or the Required Lenders, all Obligations that have been charged to the Loan Account pursuant to the terms hereof shall bear interest at a *per annum* rate equal to 2 percentage points above the per annum rate otherwise applicable thereunder.

(d) **Payment.** All (i) interest payable hereunder and all other fees payable hereunder or under any of the other Loan Documents shall be due and payable, in arrears, on the first day of each month (commencing July 1, 2012); provided, however, if such day is not a Business Day, then such payment shall be due and payable on the next succeeding Business Day, and (ii) costs and expenses payable hereunder or under any of the other Loan Documents, and all Lender Group Expenses shall be due and payable on the earlier of (x) the first day of the month following the date on which the applicable costs, expenses, or Lender Group Expenses were first incurred or (y) the date on which demand therefor is made by Agent (it being acknowledged and agreed that any charging of such costs, expenses or Lender Group Expenses to the Loan Account pursuant to the provisions of the following sentence shall be deemed to constitute a demand for payment thereof for the purposes of this subclause (y)). Borrowers hereby authorize Agent, from time to time without prior notice to Borrowers, to charge to the Loan Account (A) as and when due and payable, all interest accrued and unpaid on the Term Loan hereunder, (B) as and when due and payable, all other fees payable hereunder or under any of the other Loan Documents, (C) as and when incurred or accrued, all fees provided for in Section 2.9, (D) as and when incurred or accrued, all other Lender Group Expenses, and (E) as and when due and payable, all other payment obligations payable under any Loan Document. All amounts (including interest, fees, costs, expenses, Lender Group Expenses, or other amounts payable hereunder or under any other Loan Document charged to the Loan Account shall constitute Obligations hereunder, and shall initially accrue interest at a *per annum* rate equal to the LIBOR Rate plus the LIBOR Rate Term Loan Margin.

(e) **Computation.** Interest shall be calculated on the basis of a 360 day year and actual days elapsed.

(f) **Intent to Limit Charges to Maximum Lawful Rate.** In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Borrowers and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, that, anything contained herein to the contrary notwithstanding, if such rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, *ipso facto*, as of the date of this Agreement, Borrowers are and shall be liable only for the payment of such maximum amount as is allowed by law, and payment received from Borrowers in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.6 **Crediting Payments.** The receipt of any payment item by Agent shall not be required to be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to Agent's Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrowers shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into Agent's Account on a Business Day on or before 12:00 p.m. If any payment item is received into Agent's Account on a non-Business Day or after 12:00 p.m. on a Business Day (unless Agent, in its sole discretion, elects to credit it on the date received), it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day.

2.7 **Designated Account.** Agent is authorized to make the Term Loan under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person. Parent agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Term Loan.

2.8 **Maintenance of Loan Account; Statements of Obligations.** Agent shall maintain an account on its books in the name of Parent (the “Loan Account”) on which Borrowers will be charged with the Term Loan and with all other payment Obligations hereunder or under the other Loan Documents, including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.6, the Loan Account will be credited with all payments received by Agent from Borrowers or for Borrowers’ account. Agent shall make available to Parent monthly statements regarding the Loan Account, including the principal amount of the Term Loan, interest accrued hereunder, fees accrued or charged hereunder or under the other Loan Documents, and a summary itemization of all charges and expenses constituting Lender Group Expenses accrued hereunder or under the other Loan Documents, and each such statement, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and the Lender Group unless, within 45 days after Agent first makes such a statement available to Parent, Borrowers shall deliver to Agent written objection thereto describing the error or errors contained in such statement.

2.9 **Agent Fees.** Borrowers shall pay to Agent, for the account of Agent, as and when due and payable under the terms of the Fee Letter, the fees set forth in the Fee Letter.

2.10 **[Reserved].**

2.11 **[Reserved].**

2.12 **Special Provisions Applicable to LIBOR Rate.**

(a) The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs, in each case, due to changes in applicable law (other than changes in laws relative to Taxes, which shall be governed by Section 16) or any Regulatory Change occurring subsequent to the commencement of the then applicable Interest Period, including changes in tax laws (except changes of general applicability in corporate income tax laws), which additional or increased costs would increase the cost of funding or maintaining loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Parent and Agent notice of such a determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Borrowers may, by notice to such affected Lender (A) require such Lender to furnish to Parent a statement setting forth in reasonable detail the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (B) repay the LIBOR Rate Loans of such Lender with respect to which such adjustment is made.

(b) In the event that any change in market conditions or any law, regulation, treaty, or directive, any change therein or in the interpretation or application thereof, or any Regulatory Change, shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Rate Loans or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Parent, and Agent promptly shall transmit the notice to each other Lender and (y) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the date specified in such Lender’s notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (z) Borrowers shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so..

2.13 Capital Requirements.

(a) If, after the date hereof, any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital or reserve requirements for banks or bank holding companies (including any Regulatory Change), or any change in the interpretation, implementation, or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), has the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitments hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then such Lender may notify Parent and Agent thereof. Following receipt of such notice, Borrowers agree to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 30 days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that Borrowers shall not be required to compensate a Lender pursuant to this Section for any reductions in return incurred more than 180 days prior to the date that such Lender notifies Parent of such law, rule, regulation or guideline giving rise to such reductions and of such Lender's intention to claim compensation therefor; provided further that if such claim arises by reason of the adoption of or change in any law, rule, regulation or guideline that is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(b) If any Lender requests additional or increased costs referred to in Section 2.12(a) or amounts under Section 2.13(a) or sends a notice under Section 2.12(b) relative to changed circumstances (any such Lender, an "Affected Lender"), then such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 2.12(a) or Section 2.13(a), as applicable, or would eliminate the illegality or impracticality of funding or maintaining LIBOR Rate Loans and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrowers' obligation to pay any future amounts to such Affected Lender pursuant to Section 2.12(a) or Section 2.13(a), as applicable, or to enable Borrowers to obtain LIBOR Rate Loans, then Borrowers (without prejudice to any amounts then due to such Affected Lender under Section 2.12(a) or Section 2.13(a), as applicable) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 2.12(a) or Section 2.13(a), as applicable, or indicates that it is no longer unlawful or impractical to fund or maintain LIBOR Rate Loans, may seek a substitute Lender reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's Commitments hereunder (a "Replacement Lender"), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and Commitments, pursuant to an Assignment and Acceptance Agreement, and upon such purchase by the Replacement Lender, such Replacement Lender shall be deemed to be a "Lender" for purposes of this Agreement and such Affected Lender shall cease to be a "Lender" for purposes of this Agreement.

(c) Notwithstanding anything herein or in any other Loan Document to the contrary, the issuance, promulgation, adoption, enactment or taking effect, in each case, after the date of this Agreement of any laws, rules, regulations, treaties, guidelines, requests, directives or directions under, pursuant to, in connection with or by (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and/or (ii) the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities pursuant to Basel III, in each case, shall be deemed to be a change in law, rule, regulation or guideline for purposes of Sections 2.12 and 2.13 regardless of the date issued, promulgated, adopted, enacted or effected (or the date of effectiveness thereof), and the protection of Sections 2.12 and 2.13 shall be available to each Lender and Issuing Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed, so long as it shall be customary for lenders or issuing banks affected thereby to comply therewith. Notwithstanding any other provision herein or in any other Loan Document, no Lender or Issuing Lender shall demand compensation pursuant to this Section 2.13 if it shall not at the time be the general policy or practice of such Lender or Issuing Lender (as the case may be) to demand such compensation in similar circumstances under comparable provisions of a majority of its other credit agreements, if any.

2.14 **Joint and Several Liability of Borrowers; Borrower Representative.**

(a) Each Borrower is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Lender Group under this Agreement, for the mutual benefit, directly and indirectly, of each Borrower and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

(b) Each Borrower, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including any Obligations arising under this Section 2.14), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each Borrower without preferences or distinction among them.

(c) If and to the extent that any Borrower shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the other Borrowers will make such payment with respect to, or perform, such Obligation until such time as all of the Obligations are paid in full.

(d) The Obligations of each Borrower under the provisions of this Section 2.14 constitute the absolute and unconditional, full recourse Obligations of each Borrower enforceable against each Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of the provisions of this Agreement or any other circumstances whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each Borrower hereby waives notice of acceptance of its joint and several liability, notice of any Loans issued under or pursuant to this Agreement, notice of the occurrence of any Default, Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by Agent or Lenders under or in respect of any of the Obligations, any requirement of diligence and all demands, notices and other formalities of every kind in connection with this Agreement (except as otherwise provided in this Agreement). Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by Agent or Lenders at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by Agent or Lenders in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Borrower. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of any Agent or Lender with respect to the failure by any Borrower to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 2.14, afford grounds for terminating, discharging or relieving any Borrower, in whole or in part, from any of its Obligations under this Section 2.14, it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of each Borrower under this Section 2.14 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this Section 2.14 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any other Borrower or any Agent or Lender.

(f) Each Borrower represents and warrants to Agent and Lenders that such Borrower is currently informed of the financial condition of Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Borrower further represents and warrants to Agent and Lenders that such Borrower has read and understands the terms and conditions of the Loan Documents. Each Borrower hereby covenants that such Borrower will continue to keep informed of Borrowers' financial condition and of all other circumstances which bear upon the risk of nonpayment or nonperformance of the Obligations.

(g) The provisions of this Section 2.14 are made for the benefit of Agent, each member of the Lender Group, and their respective successors and assigns, and may be enforced by it or them from time to time against any or all Borrowers as often as occasion therefor may arise and without requirement on the part of Agent, any member of the Lender Group, or any of their successors or assigns first to marshal any of its or their claims or to exercise any of its or their rights against any Borrower or to exhaust any remedies available to it or them against any Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.14 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by Agent or any Lender upon the insolvency, bankruptcy or reorganization of any Borrower, or otherwise, the provisions of this Section 2.14 will forthwith be reinstated in effect, as though such payment had not been made.

(h) Each Borrower hereby agrees that it will not enforce any of its rights of contribution or subrogation against any other Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to Agent or Lenders with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to Agent or any member of the Lender Group hereunder are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(i) Each Borrower hereby agrees that after the occurrence and during the continuance of any Event of Default described in Section 8.4 or 8.5, or any other Event of Default and the election by Agent or the Required Lenders to exercise any rights or remedies under Section 9.1, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for Agent, and such Borrower shall deliver any such amounts to Agent for application to the Obligations in accordance with Section 2.3(b).

(j) Each Borrower hereby irrevocably appoints and designates Parent as its agent and for all purposes under the Loan Documents. Parent accepts such appointment and designation and agrees to act in such capacity. Without limiting the foregoing, each Borrower authorizes and directs Parent, on behalf of Borrowers, or any of them, to deliver and receive notices and other communications, prepare and deliver financial and Collateral reporting, request Loans, and receive and disburse proceeds of Loans, pay Obligations, execute and deliver any documents, instruments, and certificates contemplated by the Loan Documents, and carry on all other dealings with Lender under the Loan Documents, in each case, on behalf of Borrowers.

(k) Any action, notice, certification, agreement, direction, consent or other action which would otherwise be effective if given or taken by Borrowers, or any of them, shall be valid and effective if given or taken by Parent, whether or not any other Borrower joins therein. Agent and Lenders, in their discretion, may direct or deliver to Parent, on behalf of Borrowers, any notice or communication to or with Borrowers, or any of them, and any such notice or communication shall be deemed valid and received by Borrowers upon receipt by Parent. Agent and Lenders shall be entitled to rely upon Parent in connection with its authority under this Section 2.14 and shall have no duty or obligation to make further inquiry with respect to such authority.

3. **CONDITIONS; TERM OF AGREEMENT.**

3.1 **Conditions Precedent to the Extension of Credit.** The obligation of each Lender to make the extensions of credit provided for hereunder is subject to the fulfillment, to the satisfaction of Agent and each Lender, of each of the conditions precedent set forth on Schedule 3.1 (the making of such initial extensions of credit by a Lender being conclusively deemed to be its satisfaction or waiver of the conditions precedent).

3.2 **[Reserved].**

3.3 **Maturity.** This Agreement shall continue in full force and effect for a term ending on the Maturity Date.

3.4 **Effect of Maturity.** On the Closing Date, immediately after giving effect to the extension of credit, all commitments of the Lender Group to provide additional credit hereunder shall automatically be terminated. On the Maturity Date, all of the Obligations immediately shall become due and payable without notice or demand and Borrowers shall be required to repay all of the Obligations in full. No termination of the obligations of the Lender Group (other than payment in full of the Obligations and termination of the Commitments) shall relieve or discharge any Loan Party of its duties, obligations, or covenants hereunder or under any other Loan Document and Agent's Liens in the Collateral shall continue to secure the Obligations and shall remain in effect until all Obligations have been paid in full and the Commitments have been terminated. When all of the Obligations have been paid in full and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrowers' sole expense, execute and deliver any termination statements, lien releases, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, Agent's Liens and all notices of security interests and liens previously filed by Agent.

4. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, each Borrower makes the following representations and warranties to the Lender Group which shall be true, correct, and complete, in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), as of the Closing Date and such representations and warranties shall survive the execution and delivery of this Agreement:

4.1 **Due Organization and Qualification; Subsidiaries.**

(a) Each Loan Party (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

(b) Set forth on Schedule 4.1(b) (as such Schedule may be updated from time to time to reflect changes resulting from transactions permitted under this Agreement), is a complete and accurate list of Parent's direct and indirect Subsidiaries, showing: (i) the number of shares of each class of common and preferred Equity Interests authorized for each of such Subsidiaries, and (ii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by Parent. All of the outstanding Equity Interests of each such Subsidiary has been validly issued and is fully paid and non-assessable.

(c) Except as set forth on Schedule 4.1(c), there are no subscriptions, options, warrants, or calls relating to any shares of any Domestic Subsidiaries' Equity Interests or first tier Foreign Subsidiaries Equity Interests, including any right of conversion or exchange under any outstanding security or other instrument.

4.2 **Due Authorization; No Conflict.**

(a) As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Loan Party.

(b) As to each Loan Party, the execution, delivery, and performance by such Loan Party of the Loan Documents to which it is a party do not and will not (i) violate any material provision of federal, state, or local law or regulation applicable to any Loan Party or its Domestic Subsidiaries, the Governing Documents of any Loan Party or its Domestic Subsidiaries, or any order, judgment, or decree of any court or other Governmental Authority binding on any Loan Party or its Domestic Subsidiaries, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material agreement of any Loan Party or its Domestic Subsidiaries where any such conflict, breach or default could individually or in the aggregate reasonably be expected to have a Material Adverse Effect, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of any Loan Party, other than Permitted Liens, or (iv) require any approval of any holder of Equity Interests of a Loan Party or any approval or consent of any Person under any material agreement of any Loan Party, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of material agreements, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Effect.

4.3 **Governmental Consents.** The execution, delivery, and performance by each Loan Party of the Loan Documents to which such Loan Party is a party and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority, other than registrations, consents, approvals, notices, or other actions that have been obtained and that are still in force and effect and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Agent for filing or recordation, as of the Closing Date.

4.4 **Binding Obligations; Perfected Liens.**

(a) Each Loan Document has been duly executed and delivered by each Loan Party that is a party thereto and is the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(b) Agent's Liens are validly created and perfected (other than (i) in respect of motor vehicles that are subject to a certificate of title, (ii) money, (iii) letter-of-credit rights (other than supporting obligations), (iv) commercial tort claims (other than those that, by the terms of the Guaranty and Security Agreement, are required to be perfected), and (v) any Deposit Accounts and Securities Accounts not subject to a Control Agreement as permitted by Section 7(k)(iv) of the Guaranty and Security Agreement, and subject only to the filing of financing statements, the recordation of the Copyright Security Agreement, and the recordation of the Mortgages, in each case, in the appropriate filing offices) and first priority (with respect to the Parkdale JV Interests Collateral) or second priority Liens, as the case may be, subject only to Permitted Liens and (except with respect to the Parkdale JV Interests Collateral) second in priority only to the Permitted First Lien Agent Liens.

4.5 **Title to Assets; No Encumbrances.** Each of the Loan Parties has (a) good, sufficient and legal title to (in the case of fee interests in Real Property), (b) valid leasehold interests in (in the case of leasehold interests in real or personal property), and (c) good and marketable title to (in the case of all other personal property), all of their respective assets reflected in their most recent financial statements delivered pursuant to Section 5.1, in each case except for assets disposed of since the date of such financial statements to the extent permitted hereby. All of such assets are free and clear of Liens except for Permitted Liens.

4.6 **Litigation.** There are no actions, suits, or proceedings pending or, to the knowledge of any Borrower, threatened in writing against a Loan Party or any of its Domestic Subsidiaries that either individually or in the aggregate could reasonably be expected to result in a Material Adverse Effect.

4.7 **Compliance with Laws.** No Loan Party nor any of its Domestic Subsidiaries (a) is in violation of any applicable laws, rules, regulations, executive orders, or codes (including Environmental Laws) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect, or (b) is subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

4.8 **No Material Adverse Effect.** All historical financial statements relating to the Loan Parties and their Subsidiaries that have been delivered by Borrowers to Agent have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, the Loan Parties' and their Subsidiaries' consolidated financial condition as of the date thereof and results of operations for the period then ended. Since December 25, 2011, no event, circumstance, or change has occurred that has or could reasonably be expected to result in a Material Adverse Effect.

4.9 **Solvency.**

(a) Each Loan Party is Solvent.

(b) No transfer of property is being made by any Loan Party and no obligation is being incurred by any Loan Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of such Loan Party.

4.10 **Employee Benefits.** No Loan Party, none of their Domestic Subsidiaries, nor any of their ERISA Affiliates maintains or contributes to any Benefit Plan.

4.11 **Environmental Condition.** Except as set forth on Schedule 4.11, (a) to any Borrower's knowledge, no Loan Party's properties or assets has ever been used by a Loan Party or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such disposal, production, storage, handling, treatment, release or transport was in violation, in any material respect, of any applicable Environmental Law, (b) to any Borrower's knowledge, no Loan Party's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) no Loan Party has received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by a Loan Party, and (d) no Loan Party nor any of their respective facilities or operations is subject to any outstanding written order, consent decree, or settlement agreement with any Person relating to any Environmental Law or Environmental Liability that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

4.12 **Complete Disclosure.** All factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers' industry) furnished by or on behalf of a Loan Party in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement or the other Loan Documents, and all other such factual information taken as a whole (other than forward-looking information and projections and information of a general economic nature and general information about Borrowers' industry) hereafter furnished by or on behalf of a Loan Party in writing to Agent or any Lender will be, true and accurate, in all material respects, on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided.

4.13 **Patriot Act.** To the extent applicable, each Loan Party is in compliance, in all material respects, with the (a) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the "Patriot Act"). No part of the proceeds of the loans made hereunder will be used by any Loan Party or any of their Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

4.14 **Indebtedness.** Set forth on Schedule 4.14 is a true and complete list of all Indebtedness of each Loan Party outstanding immediately prior to the Closing Date that is to remain outstanding immediately after giving effect to the closing hereunder on the Closing Date and such Schedule accurately sets forth the aggregate principal amount of such Indebtedness as of the Closing Date.

4.15 **Payment of Taxes.** Except as otherwise permitted under Section 5.5, all tax returns and reports of each Loan Party and its Domestic Subsidiaries required to be filed by any of them have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon a Loan Party and its Domestic Subsidiaries and upon their respective assets, income, businesses and franchises that are due and payable have been paid when due and payable. Each Loan Party and each of its Domestic Subsidiaries have made adequate provision in accordance with GAAP for all taxes not yet due and payable. No Borrower knows of any proposed tax assessment against a Loan Party or any of its Domestic Subsidiaries that is not being actively contested by such Loan Party or such Domestic Subsidiary diligently, in good faith, and by appropriate proceedings; provided such reserves or other appropriate provisions, if any, as shall be required in conformity with GAAP shall have been made or provided therefor.

4.16 **Margin Stock.** No Loan Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the loans made to any Borrower will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors.

4.17 **Governmental Regulation.** No Loan Party is subject to regulation under the Federal Power Act or the Investment Company Act of 1940 or under any other federal or state statute or regulation which may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable. No Loan Party is a “registered investment company” or a company “controlled” by a “registered investment company” or a “principal underwriter” of a “registered investment company” as such terms are defined in the Investment Company Act of 1940.

4.18 **OFAC.** No Loan Party nor any of its Subsidiaries is in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC. No Loan Party nor any of its Subsidiaries (a) is a Sanctioned Person or a Sanctioned Entity, (b) has its assets located in Sanctioned Entities, or (c) derives revenues from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. No proceeds of any loan made hereunder will be used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

4.19 **Employee and Labor Matters.** There is (i) no unfair labor practice complaint pending or, to the knowledge of any Borrower, threatened against any Loan Party before any Governmental Authority and no grievance or arbitration proceeding pending or threatened against any Loan Party which arises out of or under any collective bargaining agreement and that could reasonably be expected to result in a Material Adverse Effect, (ii) no strike, labor dispute, slowdown, stoppage or similar action or grievance pending or threatened in writing against any Loan Party that could reasonably be expected to result in a Material Adverse Effect, or (iii) to the knowledge of any Borrower, no union representation question existing with respect to the employees of any Loan Party and no union organizing activity taking place with respect to any of the employees of any Loan Party that could reasonably be expected to have a Material Adverse Effect. No Loan Party has incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act or similar state law, which remains unpaid or unsatisfied. The hours worked and payments made to employees of Loan Parties have not been in violation of the Fair Labor Standards Act or any other applicable legal requirements, except to the extent such violations could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All material payments due from any Loan Party on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of Parent or its applicable Subsidiary, except where the failure to do so could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4.20 **Excluded Subsidiaries.** Except as described on Schedule 4.20, no Excluded Subsidiary has any material liabilities, owns any assets, or engages in any operations or business. Except for the Excluded Subsidiaries, each Domestic Subsidiary of Parent is a Loan Party as either a Borrower or Guarantor.

4.21 **Leases.** Each Loan Party enjoys peaceful and undisturbed possession under all leases material to their business and to which they are parties or under which they are operating, and, subject to Permitted Protests, all of such material leases are valid and subsisting and no material default by the applicable Loan Party exists under any of them.

4.22 **[Reserved].**

4.23 **[Reserved].**

4.24 **Location of Equipment and Inventory.** Except as set forth on Schedule 4.24, the Equipment and Inventory of the Loan Parties is not stored with a bailee, warehouseman, or similar party and is located only at, or in-transit between, the locations identified on Schedule 4.24 (as such Schedule may be updated pursuant to Section 5.14).

4.25 **Inventory Records.** Each Loan Party keeps correct and accurate records, in all material respects, itemizing and describing the type, quality, and quantity of its Inventory and the book value thereof.

4.26 **First Lien Loan Documents.** As of the Closing Date, (a) Borrowers have delivered to Agent true and correct copies of any First Lien Loan Documents, each of which is in full force and effect, and (b) Borrowers have received the proceeds of the First Lien Loan Indebtedness. The execution, delivery and performance of the First Lien Loan Documents do not and will not require any registration with, consent or approval of, or notice to, or other action with or by, any Governmental Authority, other than consents or approvals that have been obtained and that are still in full force and effect.

4.27 **Indenture and Redemption Documents.** Borrowers have delivered to Agent a complete and correct copy of (a) the Indenture, including all schedules and exhibits thereto, and (b) all notices, instructions, opinions and other items delivered by Borrowers to the Indenture Trustee (and noteholders, as applicable) under the Indenture in connection with the redemption in full on the Closing Date of the notes evidencing the Existing Notes Facility. As of the Closing Date, the redemption in full of the notes evidencing the Existing Notes Facility has been consummated in accordance with all applicable laws and terms of the Indenture.

5. **AFFIRMATIVE COVENANTS.**

Each Borrower covenants and agrees that, until payment in full of the Obligations:

5.1 **Financial Statements, Reports, Certificates.** Borrowers (a) will deliver each of the financial statements, reports, and other items set forth on Schedule 5.1 no later than the times specified therein, such deliveries to be made to the parties and in the manner specified therein, (b) agree that no Loan Party will have a fiscal year different from that of Parent, and (c) agree to maintain a system of accounting that enables Borrowers to produce financial statements in accordance with GAAP.

5.2 **Reporting.** Borrowers will deliver to Agent (and if so requested by Agent, with copies for each Lender) each of the reports set forth on Schedule 5.2 at the times specified therein.

5.3 **Existence.** Except as otherwise permitted under Section 6.3 or 6.4, each Loan Party will at all times preserve and keep in full force and effect such Loan Party's valid existence and good standing in its jurisdiction of organization and, except as could not reasonably be expected to result in a Material Adverse Effect, good standing with respect to all other jurisdictions in which it is required to be qualified to do business and any rights, franchises, permits, licenses, accreditations, authorizations, or other approvals material to their businesses.

5.4 **Maintenance of Properties.** Each Loan Party will maintain and preserve all of their assets that are necessary or useful in the proper conduct of their business in good working order and condition, ordinary wear, tear, casualty, and condemnation and Permitted Dispositions excepted (and except where the failure to so maintain and preserve assets could not reasonably be expected to result in a Material Adverse Effect).

5.5 **Taxes.** Each Loan Party will pay in full before delinquency or before the expiration of any extension period all material governmental assessments and taxes imposed, levied, or assessed against them, or any of their assets or in respect of any of their income, businesses, or franchises, except to the extent that the validity of such governmental assessment or tax is the subject of a Permitted Protest.

5.6 **Insurance.** Each Loan Party will, at Borrowers' expense, (a) maintain insurance respecting such Loan Party's assets wherever located, covering liabilities, losses or damages as are customarily insured against by other Persons engaged in same or similar businesses and similarly situated and located (including, in the case of Real Property Collateral, flood insurance to the extent applicable). All such policies of insurance shall be with financially sound and reputable insurance companies acceptable to Agent (it being agreed that insurance placed with an insurance company or companies with an AM Best Rating of A-VIII or better is acceptable to Agent) and in such amounts as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated and located and, in any event, in amount, adequacy, and scope reasonably satisfactory to Agent (it being agreed that the amount, adequacy, and scope of the policies of insurance of the Loan Parties in effect as of the Closing Date are acceptable to Agent). All property insurance policies covering the Collateral are to be made payable to Agent for the benefit of Agent and the Lenders, as their interests may appear, in case of loss, pursuant to a standard loss payable endorsement with a standard non contributory "lender" or "secured party" clause. All certificates of property and general liability insurance are to be delivered to Agent, with the loss payable (but only in respect of Collateral) and additional insured endorsements in favor of Agent and shall provide for not less than 30 days (10 days in the case of non-payment) prior written notice to Agent of the exercise of any right of cancellation. If the Loan Parties fail to maintain such insurance, Agent may arrange for such insurance, but at Borrowers' expense and without any responsibility on Agent's part for obtaining the insurance, the solvency of the insurance companies, the adequacy of the coverage, or the collection of claims. Upon any Borrower becoming aware of any loss exceeding \$1,000,000 covered by the Loan Parties' casualty or business interruption insurance, Borrowers shall give Agent prompt notice thereof. Upon the occurrence and during the continuance of an Event of Default, Agent shall have the sole right to file claims under any property insurance policies in respect of the Collateral, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies.

5.7 **Inspection.** The Loan Parties will permit Agent, any Lender, and each of their respective duly authorized representatives or agents to visit any of their properties and inspect any of their assets or books and records, to examine and make copies of their books and records, and to discuss their affairs, finances, and accounts with, and to be advised as to the same by, its officers and employees (provided an authorized representative of Parent shall be allowed to be present) at such reasonable times and intervals as Agent or any Lender, as applicable, may designate and, so long as no Default or Event of Default has occurred and is continuing, with reasonable prior notice to Parent and during regular business hours, provided that Agent and the Lenders shall first seek to obtain any reports on inspections from the First Lien Agent and/or may accompany the First Lien Agent on such inspections.

5.8 **Compliance with Laws.** The Loan Parties will comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

5.9 **Environmental.** The Loan Parties will:

(a) Keep any property either owned or operated by any Loan Party free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens,

(b) Comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance which Agent reasonably requests,

(c) Promptly notify Agent of any release of which any Borrower has knowledge of a Hazardous Material in any reportable quantity from or onto property owned or operated by any Loan Party and take any Remedial Actions required to abate said release or otherwise to come into compliance, in all material respects, with applicable Environmental Law, and

(d) Promptly, but in any event within 5 Business Days of its receipt thereof, provide Agent with written notice of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of any Loan Party, (ii) commencement of any Environmental Action or written notice that an Environmental Action will be filed against any Loan Party, and (iii) written notice of a violation, citation, or other administrative order from a Governmental Authority.

5.10 **Disclosure Updates.** Borrowers will, promptly and in no event later than 5 Business Days after any Borrower obtains knowledge thereof, notify Agent if any written information, exhibit, or report furnished to Agent or the Lenders contained, at the time it was furnished, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made. The foregoing notwithstanding, any notification pursuant to the foregoing provision will not cure or remedy the effect of the prior untrue statement of a material fact or omission of any material fact nor shall any such notification have the effect of amending or modifying this Agreement or any of the Schedules hereto.

5.11 **Formation of Subsidiaries.** Borrowers will, at the time that any Loan Party forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Closing Date, within 10 days of such formation or acquisition (or such later date as permitted by Agent in its sole discretion) (a) cause any such Subsidiary that is a new Domestic Subsidiary to provide to Agent a joinder to the Guaranty and Security Agreement, together with such other security agreements (including mortgages with respect to any Real Property owned in fee of such new Domestic Subsidiary with a fair market value greater than \$1,000,000), as well as appropriate financing statements (and with respect to all property subject to a mortgage, fixture filings), all in form and substance reasonably satisfactory to Agent (including being sufficient to grant Agent a second-priority Lien (subject only to Permitted Liens) in and to the assets of such newly formed or acquired Domestic Subsidiary), (b) provide, or cause the applicable Loan Party to provide, to Agent a pledge agreement (or an addendum to the Guaranty and Security Agreement) and appropriate certificates and powers or financing statements, pledging all of the direct or beneficial ownership interest in each new Subsidiary in form and substance reasonably satisfactory to Agent; provided, that only 65% of the total outstanding voting Equity Interests of any first tier Foreign Subsidiary of any Loan Party (and none of the Equity Interests of any Subsidiary of any Foreign Subsidiary of any Loan Party) shall be required to be pledged (which pledge, if reasonably requested by Agent, shall be governed by the laws of the jurisdiction of such Subsidiary), and (c) provide to Agent all other documentation, including one or more opinions of counsel reasonably satisfactory to Agent, which, in its opinion, is appropriate with respect to the execution and delivery of the applicable documentation referred to above (including policies of title insurance or other documentation with respect to all Real Property owned in fee and subject to a mortgage). Any document, agreement, or instrument executed or issued pursuant to this Section 5.11 shall constitute a Loan Document.

5.12 **Further Assurances.** Borrowers will, and will cause each of the other Loan Parties to, at any time upon the reasonable request of Agent, execute or deliver to Agent any and all financing statements, fixture filings, security agreements, pledges, assignments, mortgages, deeds of trust, opinions of counsel, and all other documents (the "Additional Documents") that Agent may reasonably request in form and substance reasonably satisfactory to Agent, to create, perfect, and continue perfected or to better perfect Agent's Liens in the Parkdale JV Interests Collateral and all of the other assets of the Loan Parties (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal), including any new Subsidiaries acquired pursuant to an Acquisition as and to the extent required under Section 5.11, to create and perfect Liens in favor of Agent in any Real Property acquired by any Loan Party with a fair market value in excess of \$1,000,000, and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents; provided that the foregoing shall not apply to any Foreign Subsidiary of Parent. To the maximum extent permitted by applicable law, if any Loan Party refuses or fails to execute or deliver any reasonably requested Additional Documents within a reasonable period of time following the request to do so, each Borrower and other Loan Party hereby authorizes Agent to execute any such Additional Documents in the applicable Loan Party's name and authorizes Agent to file such executed Additional Documents in any appropriate filing office. In furtherance of, and not in limitation of, the foregoing, each Loan Party shall take such actions as Agent may reasonably request from time to time to ensure that the Obligations are guaranteed by the Guarantors and are secured by substantially all of the assets of Parent and its Domestic Subsidiaries (other than Excluded Subsidiaries), including all of the outstanding capital Equity Interests of Parent's Subsidiaries (subject to exceptions and limitations contained in the Loan Documents with respect to Foreign Subsidiaries).

5.13 **Lender Meetings.** Parent will, within 20 days after the filing deadline for Parent's Form 10-K with the SEC, at the request of Agent or of the Required Lenders and upon reasonable prior notice, hold a meeting (at a mutually agreeable location and time or, at the option of Agent, by conference call) with all Lenders who choose to attend such meeting at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of Parent and its Subsidiaries and the projections presented for the current fiscal year of Parent.

5.14 **Location of Equipment, Inventory and Chief Executive Office.** The Loan Parties will keep their Equipment and Inventory only at the locations identified on Schedule 4.24 and their chief executive offices only at the locations identified on Schedule 7 to the Guaranty and Security Agreement; provided, that Borrowers may amend Schedule 4.24 or Schedule 7 so long as such amendment occurs by written notice to Agent not less than 10 days prior to the date on which such Equipment or Inventory is moved to such new location or such chief executive office is relocated and so long as such new location is within the continental United States.

5.15 **Collection Accounts.**

(a) As promptly as practicable, and in any event within 90 days (or such later date as permitted by Agent in its sole discretion) following the Closing Date (the "Transition Period"), the Loan Parties shall (i) direct all Account Debtors to make all future payments with respect to Accounts to one or more collection accounts established for such purpose with Wells Fargo in accordance with the terms of Section 5.15 of the Agreement and Section 7(k) of the First Lien Guaranty and Security Agreement (each, a "Wells Fargo Collection Account"), (ii) enter into a Control Agreement for the benefit of First Lien Agent and Agent with respect to the Wells Fargo Collection Account, (iii) deposit or cause to be deposited promptly into a Wells Fargo Collection Account, and in any event no later than the second Business Day after the date of receipt thereof, all of their collections from Account Debtors which are received directly by any Loan Party or in any bank account other than a Wells Fargo Collection Account and (iv) close all of the Loan Parties' bank accounts (other than accounts with respect to which no Control Agreement is required pursuant to Section 7(c) of the Guaranty and Security Agreement) maintained with any financial institution other than Wells Fargo or its Affiliates, including, without limitation, all collection accounts maintained with any financial institution other than Wells Fargo or its Affiliates.

(b) As promptly as practicable, and in any event within 30 days (or such later date as permitted by Agent in its sole discretion) following the Closing Date, Unifi Manufacturing shall (i) establish with a financial institution reasonably acceptable to Agent (the "Parkdale Proceeds Deposit Account"), (ii) cause to be delivered to Agent a Control Agreement for the benefit of Agent with respect to the Parkdale Proceeds Deposit Account, (iii) request Parkdale JV to make all future distributions with respect to the Parkdale JV Interest Collateral to the Parkdale Proceeds Deposit Account and (iv) shall deposit or cause to be deposited promptly into the Parkdale Proceeds Deposit Account all proceeds received any Loan Party in respect of the Parkdale JV Interests Collateral.

5.16 **Hedging of Interest Rate Risks.** So long as outstanding principal balance of Funded Indebtedness (that bears interest at a floating rate) of the Loan Parties exceeds \$75,000,000, the Loan Parties will maintain Hedge Agreements in place in order to hedge their interest rate exposure on at least \$50,000,000 in principal amount of such Funded Indebtedness.

5.17 **Post Closing Deliverables.** As promptly as practicable, and in any event within 60 days (or such later date as permitted by Agent in its sole discretion) following the Closing Date, Agent shall have received, with respect to each parcel of Real Property Collateral (other than Closing Date Real Property Collateral), (i) a Mortgage and (ii) a Mortgage Policy.

6. **NEGATIVE COVENANTS.**

Each Borrower covenants and agrees that, until payment in full of the Obligations:

6.1 **Indebtedness.** No Loan Party will create, incur, assume, suffer to exist, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except for Permitted Indebtedness.

6.2 **Liens.** No Loan Party will create, incur, assume, or suffer to exist, directly or indirectly, any Lien on or with respect to (a) the Parkdale JV Interests Collateral or any income or profits therefrom, except for the Permitted First Lien Agent Liens or (b) any of its assets, of any kind, whether now owned or hereafter acquired (other than the Parkdale JV Interests Collateral), or any income or profits therefrom, except for Permitted Liens.

6.3 **Restrictions on Fundamental Changes.** No Loan Party will:

(a) other than in order to consummate a Permitted Acquisition, enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Equity Interests, except for (i) any merger or consolidation between Borrowers (provided that Parent must be the surviving entity of any such merger to which it is a party), (ii) any merger or consolidation between a Borrower and a Guarantor (provided that a Borrower must be the surviving entity of any such merger to which it is a party), and (iii) any merger or consolidation between Guarantors,

(b) liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution), except for (i) the liquidation or dissolution of a Borrower (other than Parent) so long as all of the assets (including any interest in any Equity Interests) of such liquidating or dissolving Borrower are transferred to another Borrower that is not liquidating or dissolving, and (ii) the liquidation or dissolution of a Guarantor so long as all of the assets (including any interest in any Equity Interests) of such liquidating or dissolving Guarantor are transferred to another Loan Party that is not liquidating or dissolving, or

(c) suspend or cease operating a substantial portion of its or their business, except (i) as permitted pursuant to clauses (a) or (b) above, (ii) in connection with a transaction permitted under Section 6.4, or (iii) following the giving of at least 60 days prior notice to Agent of the contemplated suspension or cessation.

6.4 **Disposal of Assets.** Other than Permitted Dispositions or transactions expressly permitted by Sections 6.3 or 6.9, no Loan Party will convey, sell, lease, license, assign, transfer, or otherwise dispose of (or enter into an agreement to convey, sell, lease, license, assign, transfer, or otherwise dispose of) any of its assets.

6.5 **Nature of Business.** The Loan Parties will not make any change in the nature of their business as conducted on the Closing Date or acquire any properties or assets that are not reasonably related or ancillary to the conduct of such business activities; provided, that the foregoing shall not prevent the Loan Parties from engaging in (a) any business that is incidental or reasonably related or ancillary to their business, or which is a reasonable extension thereof, including the design, development, production, distribution and sale of yarns, polyester chips, fibers, textiles, fabrics and other related goods, (b) the Biomass Business, and (c) any other business to the extent that such business constitutes an immaterial portion of the business of the Loan Parties otherwise permitted herein. For the avoidance of doubt, “an immaterial portion” means less than five percent (5%) of the total assets of the Loan Parties.

6.6 **Prepayments and Amendments.** No Loan Party will:

(a) except in connection with Refinancing Indebtedness permitted by Section 6.1,

(i) optionally prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of such Loan Party, other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, and (C) Permitted First Lien Prepayments, or

(ii) make any payment on account of Indebtedness that has been contractually subordinated in right of payment to the Obligations if such payment is not permitted at such time under the subordination terms and conditions, or

(b) directly or indirectly, amend, modify, or change any of the terms or provisions of

(i) any agreement, instrument, document, indenture, or other writing evidencing or concerning Permitted Indebtedness other than (A) the Obligations in accordance with this Agreement, (B) Permitted Intercompany Advances, (C) Indebtedness permitted under clauses (c), (h), (j) and (k) of the definition of Permitted Indebtedness, and (D) the First Lien Loan Indebtedness to the extent such amendment, modification or change is expressly permitted pursuant to the Intercreditor Agreement, or

(ii) the Governing Documents of any Loan Party if the effect thereof, either individually or in the aggregate, could reasonably be expected to be materially adverse to the interests of the Lenders.

6.7 **Restricted Payments.** No Loan Party will make any Restricted Payment; provided, that:

(a) so long as it is permitted by law and no Default or Event of Default shall have occurred and be continuing or would result therefrom, Parent may make distributions to former employees, officers, or directors of Parent (or any spouses, ex-spouses, or estates of any of the foregoing) on account of redemptions of Equity Interests of Parent held by such Persons, provided, that the aggregate amount of such redemptions made by Parent during any fiscal year does not exceed \$500,000 in the aggregate,

(b) so long as it is permitted by law and no Default or Event of Default shall have occurred and be continuing or would result therefrom, Parent may make distributions to former employees, officers, or directors of Parent (or any spouses, ex-spouses, or estates of any of the foregoing), solely in the form of forgiveness of Indebtedness of such Persons owing to Parent on account of repurchases of the Equity Interests of Parent held by such Persons; provided that such Indebtedness was incurred by such Persons solely to acquire Equity Interests of Parent, and

(c) Parent may make any other Restricted Payments so long as (i) each such Restricted Payment is permitted by law and no Default or Event of Default shall have occurred and be continuing or would result therefrom, (ii) such Restricted Payment would be permitted as a “Restricted Payment” under the terms of the Initial First Lien Loan Agreement, and (iii) on or prior to the date of each such Restricted Payment, Borrowers shall have delivered to Agent an officer’s certificate from an Authorized Person as to the satisfaction of all conditions set forth above.

6.8 **Accounting Methods.** Parent will not, and will not permit any of its Subsidiaries to, modify or change its fiscal year or its method of accounting (other than as may be required to conform to GAAP).

6.9 **Investments.** No Loan Party will make or acquire any Investment or incur any liabilities (including contingent obligations) for or in connection with any Investment except for Permitted Investments.

6.10 **Transactions with Affiliates.** No Loan Party will, directly or indirectly, enter into or permit to exist any transaction with any Affiliate of any Loan Party except for:

(a) transactions (other than the payment of management, consulting, monitoring, or advisory fees) between the Loan Parties, on the one hand, and any Affiliate of the Loan Parties, on the other hand, so long as such transactions are no less favorable, taken as a whole, to the Loan Parties than would be obtained in an arm's length transaction with a non-Affiliate or, in the absence of an established market, consistent with the Loan Parties' past practice,

(b) so long as it has been approved by the applicable Loan Party's board of directors (or comparable governing body) in accordance with applicable law, any indemnity provided for the benefit of directors (or comparable managers) of the applicable Loan Party,

(c) so long as it has been approved by the applicable Loan Party's board of directors (or comparable governing body) in accordance with applicable law, the payment of reasonable compensation, severance, or employee benefit arrangements to employees, officers, and outside directors of the Loan Parties in the ordinary course of business and consistent with industry practice, and

(d) transactions permitted by Section 6.3 or 6.7, or any Permitted Intercompany Advance.

6.11 **Use of Proceeds.** Borrowers will not, and will not permit any of their Subsidiaries to, use the proceeds of any Loan made hereunder for any purpose other than (a) on the Closing Date, (i) to repay, in full, the outstanding principal, accrued interest, and accrued fees and expenses owing under or in connection with the Existing Credit Facility and the Existing Notes Facility, and (ii) to pay the fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents and the First Lien Loan Documents, and the transactions contemplated hereby and thereby, in each case, as set forth in the Funds Flow Agreement, and (b) thereafter, consistent with the terms and conditions hereof, for their lawful and permitted purposes (including that no part of the proceeds of the Loans made to any Borrower will be used to purchase or carry any such Margin Stock or to extend credit to others for the purpose of purchasing or carrying any such Margin Stock or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors).

6.12 **Limitation on Issuance of Equity Interests.** Except for the issuance or sale of Qualified Equity Interests by Parent or in connection with Permitted Investments, Parent will not, and will not permit any of its Subsidiaries to, issue or sell or enter into any agreement or arrangement for the issuance or sale of any of its Equity Interests.

6.13 **Inventory with Bailees.** Except as set forth on Schedule 4.24, no Loan Party will store its Inventory at any time with a bailee, warehouseman, or similar party.

6.14 **Excluded Subsidiaries.** Borrowers will not permit any Excluded Subsidiary to incur any material liabilities (other than tax, licensing and similar liabilities incurred by any Excluded Subsidiary in the ordinary course of business), own or acquire any assets (other than assets described on Schedule 4.20), or engage itself in any operations or business (except as described on Schedule 4.20).

6.15 **Restrictions on Subsidiary Distributions.** Borrowers will not, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary of Parent to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by Parent or any Subsidiary, or pay any Indebtedness owed to Parent or any Subsidiary, (b) make loans or advances to Parent or any of its Subsidiaries, or (c) transfer any of its properties or assets to a Borrower, except for such encumbrances or restrictions existing under or by reason of Applicable Laws or this Agreement.

7. **FINANCIAL COVENANTS.**

Each Borrower covenants and agrees that, until payment in full of the Obligations, the Loan Parties shall have a Fixed Charge Coverage Ratio, measured as of the last day of each fiscal month for the 12 fiscal month period then ended, of at least 1.05 to 1.0; provided, however, the Loan Parties shall not be required to comply with this Section 7 (or any comparable provision) unless the Borrowers are required to comply with Section 7 under the Initial First Lien Loan Agreement.

8. **EVENTS OF DEFAULT.**

Any one or more of the following events shall constitute an event of default (each, an “Event of Default”) under this Agreement:

8.1 **Payments.** If Borrowers fail to pay when due and payable, or when declared due and payable, (a) all or any portion of the Obligations consisting of interest, fees, or charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts (other than any portion thereof constituting principal) constituting Obligations (including any portion thereof that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), and such failure continues for a period of 3 Business Days, or (b) all or any portion of the principal of the Loans;

8.2 **Covenants.** If any Loan Party:

(a) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 3.6, 5.1, 5.2, 5.6, 5.7 (solely if a Borrower refuses to allow Agent or its representatives or agents to visit such Borrower’s properties, inspect its assets or books or records, examine and make copies of its books and records, or discuss such Borrower’s affairs, finances, and accounts with officers and employees of such Borrower), 5.10, 5.11, 5.13, 5.14, 5.15 or 5.16 of this Agreement, (ii) Section 6 of this Agreement, (iii) Section 7 of this Agreement, or (iv) Section 7 of the Guaranty and Security Agreement;

(b) fails to perform or observe any covenant or other agreement contained in any of Sections 5.3, 5.4, 5.5, 5.8, and 5.12 of this Agreement and such failure continues for a period of 10 days after the earlier of (i) the date on which such failure shall first become known to any officer of any Borrower or (ii) the date on which written notice thereof is given to Parent by Agent; or

(c) fails to perform or observe any covenant or other agreement contained in this Agreement, or in any of the other Loan Documents, in each case, other than any such covenant or agreement that is the subject of another provision of this Section 8 (in which event such other provision of this Section 8 shall govern), and such failure continues for a period of 30 days after the earlier of (i) the date on which such failure shall first become known to any officer of any Borrower or (ii) the date on which written notice thereof is given to Parent by Agent;

8.3 **Judgments.** If one or more judgments, orders, or awards for the payment of money involving an aggregate amount in excess of \$5,000,000 (except to the extent fully covered (other than to the extent of customary deductibles) by insurance pursuant to which the insurer has not denied coverage) is entered or filed against a Loan Party, or with respect to any of their respective assets, and either (a) there is a period of 30 consecutive days at any time after the entry of any such judgment, order, or award during which (1) the same is not discharged, satisfied, vacated, or bonded pending appeal, or (2) a stay of enforcement thereof is not in effect, or (b) enforcement proceedings are commenced upon such judgment, order, or award;

8.4 **Voluntary Bankruptcy, etc.** If an Insolvency Proceeding is commenced by a Loan Party;

8.5 **Involuntary Bankruptcy, etc.** If an Insolvency Proceeding is commenced against a Loan Party and any of the following events occur: (a) such Loan Party consents to the institution of such Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted, (c) the petition commencing the Insolvency Proceeding is not dismissed within 60 calendar days of the date of the filing thereof, (d) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, such Loan Party, or (e) an order for relief shall have been issued or entered therein;

8.6 **Default Under Other Agreements.** If there is a default under the First Lien Loan Agreement, or any other agreement to which a Loan Party is a party with one or more third Persons relative to a Loan Party's Indebtedness involving an aggregate amount of \$5,000,000 or more, and such default (a) occurs at the final maturity of the obligations thereunder, or (b) results in a right by such third Person, irrespective of whether exercised, to accelerate the maturity of such Loan Party's obligations thereunder;

8.7 **Representations, etc.** If any warranty, representation, certificate, statement, or Record made herein or in any other Loan Document or delivered in writing to Agent or any Lender in connection with this Agreement or any other Loan Document proves to be untrue in any material respect (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of the date of issuance or making or deemed making thereof;

8.8 **Guaranty.** If the obligation of any Guarantor under the guaranty contained in the Guaranty and Security Agreement is limited or terminated by operation of law or by such Guarantor (other than in accordance with the terms of this Agreement);

8.9 **Security Documents.** If the Guaranty and Security Agreement or any other Loan Document that purports to create a Lien shall, for any reason, fail or cease to create a valid and perfected Lien on the Collateral covered thereby, except (a) as a result of a disposition of the applicable Collateral in a transaction permitted under this Agreement, or (b) as the result of an action or failure to act on the part of Agent;

8.10 **Loan Documents.** The validity or enforceability of any Loan Document shall at any time for any reason (other than solely as the result of an action or failure to act on the part of Agent) be declared to be null and void, or a proceeding shall be commenced by a Loan Party, or by any Governmental Authority having jurisdiction over a Loan Party, seeking to establish the invalidity or unenforceability thereof, or a Loan Party shall deny that such Loan Party has any liability or obligation purported to be created under any Loan Document; or

8.11 **Change of Control.** A Change of Control shall occur, whether directly or indirectly.

9. **RIGHTS AND REMEDIES.**

9.1 **Rights and Remedies.** Upon the occurrence and during the continuation of an Event of Default, Agent may, and, at the instruction of the Required Lenders, shall (in each case under clauses (a) or (b) by written notice to Parent), in addition to any other rights or remedies provided for hereunder or under any other Loan Document or by applicable law, do any one or more of the following:

(a) declare the principal of, and any and all accrued and unpaid interest and fees in respect of, the Loans and all other Obligations (including any premium amounts due pursuant to Section 2.3(g)), whether evidenced by this Agreement or by any of the other Loan Documents to be immediately due and payable, whereupon the same shall become and be immediately due and payable and Borrowers shall be obligated to repay all of such Obligations in full, without presentment, demand, protest, or further notice or other requirements of any kind, all of which are hereby expressly waived by Borrowers; and

(b) exercise all other rights and remedies available to Agent or the Lenders under the Loan Documents, under applicable law, or in equity.

The foregoing to the contrary notwithstanding, upon the occurrence of any Event of Default described in Section 8.4 or Section 8.5, in addition to the remedies set forth above, without any notice to any Borrower or any other Person or any act by the Lender Group, the Obligations, inclusive of the principal of, and any and all accrued and unpaid interest and fees in respect of, the Loans and all other Obligations, whether evidenced by this Agreement or by any of the other Loan Documents, shall automatically become and be immediately due and payable and Borrowers shall automatically be obligated to repay all of such Obligations in full, without presentment, demand, protest, or notice or other requirements of any kind, all of are expressly waived by each Borrower.

9.2 **Remedies Cumulative.** The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

10. **WAIVERS; INDEMNIFICATION.**

10.1 **Demand; Protest; etc.** Each Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which any Borrower may in any way be liable.

10.2 **The Lender Group's Liability for Collateral.** Each Borrower hereby agrees that: (a) so long as Agent complies with its obligations, if any, under the Code, the Lender Group shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) all risk of loss, damage, or destruction of the Collateral shall be borne by Borrowers.

10.3 **Indemnification.** Borrowers shall pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons, and each Participant (each, an “Indemnified Person”) harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, liabilities, fines, costs, penalties, and damages, and all reasonable fees and disbursements of attorneys, experts, or consultants and all other costs and expenses actually incurred in connection therewith or in connection with the enforcement of this indemnification (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution and delivery (provided that Borrowers shall not be liable for costs and expenses (including attorneys fees) of any Lender (other than one outside counsel to the Lenders, in addition to the Agent’s counsel) incurred in advising, structuring, drafting, reviewing, administering or syndicating the Loan Documents), enforcement, performance, or administration (including any restructuring or workout with respect hereto) of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby or the monitoring of Borrowers’ and their Subsidiaries’ compliance with the terms of the Loan Documents (provided, that the indemnification in this clause (a) shall not extend to (i) disputes solely between or among the Lenders, (ii) disputes solely between or among the Lenders and their respective Affiliates; it being understood and agreed that the indemnification in this clause (a) shall extend to disputes among Indemnified Persons relating to any act or omission of a Loan Party, and in addition to Agent (but not the Lenders) relative to disputes between or among Agent on the one hand, and one or more Lenders, or one or more of their Affiliates, on the other hand, or (iii) any Taxes or any costs attributable to Taxes, which shall be governed by Section 16), (b) with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto, and (c) in connection with or arising out of any presence or release of Hazardous Materials at, on, under, to or from any assets or properties owned, leased or operated by any Borrower or any of its Subsidiaries or any Environmental Actions, Environmental Liabilities or Remedial Actions related in any way to any such assets or properties of any Borrower or any of its Subsidiaries (each and all of the foregoing, the “Indemnified Liabilities”). The foregoing to the contrary notwithstanding, Borrowers shall have no obligation to any Indemnified Person under this Section 10.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct or material breach in bad faith of any obligation of such Indemnified Person or its officers, directors, employees, attorneys, or agents. This provision shall survive the termination of this Agreement and the repayment in full of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which Borrowers were required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Borrowers with respect thereto. **WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON.**

11. **NOTICES.**

Unless otherwise provided in this Agreement, all notices or demands relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as a party may designate in accordance herewith), or telefacsimile. In the case of notices or demands to Borrowers or Agent, as the case may be, they shall be sent to the respective address set forth below:

If to any Borrower:

UNIFI, INC.
7201 West Friendly Avenue
Greensboro, NC 27410
Attn: Ronald L. Smith
Fax No. 336-294-4751

with copies to:

UNIFI, INC.
7201 West Friendly Avenue
Greensboro, NC 27410
Attn: Charles McCoy, Esq.
Fax No.: 336-856-4364

If to Agent:

WILMINGTON TRUST, NATIONAL ASSOCIATION
50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
Attn: Joshua James
Fax No.: 612-217-5651

with copies to:

ROPES & GRAY LLP
1211 Avenue of the Americas
New York, NY 10036
Attn: Mark R. Somerstein
Fax No.: 646-728-1663

Any party hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 11 shall be deemed received on the earlier of the date of actual receipt or 3 Business Days after the deposit thereof in the mail; provided, that (a) notices sent by overnight courier service shall be deemed to have been given when received, (b) notices by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient) and (c) notices by electronic mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgment).

12. **CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER; JUDICIAL REFERENCE PROVISION.**

(a) THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO, AND ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK. PROVIDED, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 12(b).

(c) TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS, IF ANY, TO A JURY TRIAL OF ANY CLAIM, CONTROVERSY DISPUTE OR CAUSE OF ACTION DIRECTLY OR INDIRECTLY BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS (EACH A CLAIM). EACH BORROWER AND EACH MEMBER OF THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVE ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(d) EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK AND THE STATE OF NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT AGENT MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(e) NO CLAIM MAY BE MADE BY ANY LOAN PARTY AGAINST AGENT OR ANY LENDER, OR ANY AFFILIATE DIRECTOR, OFFICER, EMPLOYEE, COUNSEL, REPRESENTATIVE, AGENT, OR ATTORNEY-IN-FACT OF ANY OF THEM FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM FOR BREACH OF CONTRACT OR ANY OTHER THEORY OF LIABILITY ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY ACT, OMISSION, OR EVENT OCCURRING IN CONNECTION THEREWITH, AND EACH LOAN PARTY HEREBY WAIVES, RELEASES, AND AGREES NOT TO SUE UPON ANY CLAIM FOR SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

(f) IN THE EVENT ANY LEGAL PROCEEDING IS FILED IN A COURT OF THE STATE OF CALIFORNIA (THE "COURT") BY OR AGAINST ANY PARTY HERETO IN CONNECTION WITH ANY CLAIM AND THE WAIVER SET FORTH IN CLAUSE (c) ABOVE IS NOT ENFORCEABLE IN SUCH PROCEEDING, THE PARTIES HERETO AGREE AS FOLLOWS:

(i) WITH THE EXCEPTION OF THE MATTERS SPECIFIED IN SUBCLAUSE (ii) BELOW, ANY CLAIM SHALL BE DETERMINED BY A GENERAL REFERENCE PROCEEDING IN ACCORDANCE WITH THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 THROUGH 645.1. THE PARTIES INTEND THIS GENERAL REFERENCE AGREEMENT TO BE SPECIFICALLY ENFORCEABLE. VENUE FOR THE REFERENCE PROCEEDING SHALL BE IN THE COUNTY OF LOS ANGELES, CALIFORNIA.

(ii) THE FOLLOWING MATTERS SHALL NOT BE SUBJECT TO A GENERAL REFERENCE PROCEEDING: (A) NON-JUDICIAL FORECLOSURE OF ANY SECURITY INTERESTS IN REAL OR PERSONAL PROPERTY, (B) EXERCISE OF SELF-HELP REMEDIES (INCLUDING SET-OFF OR RECOUPMENT), (C) APPOINTMENT OF A RECEIVER, AND (D) TEMPORARY, PROVISIONAL, OR ANCILLARY REMEDIES (INCLUDING WRITS OF ATTACHMENT, WRITS OF POSSESSION, TEMPORARY RESTRAINING ORDERS, OR PRELIMINARY INJUNCTIONS). THIS AGREEMENT DOES NOT LIMIT THE RIGHT OF ANY PARTY TO EXERCISE OR OPPOSE ANY OF THE RIGHTS AND REMEDIES DESCRIBED IN CLAUSES (A) - (D) AND ANY SUCH EXERCISE OR OPPOSITION DOES NOT WAIVE THE RIGHT OF ANY PARTY TO PARTICIPATE IN A REFERENCE PROCEEDING PURSUANT TO THIS AGREEMENT WITH RESPECT TO ANY OTHER MATTER.

(iii) UPON THE WRITTEN REQUEST OF ANY PARTY, THE PARTIES SHALL SELECT A SINGLE REFEREE WHO SHALL BE A RETIRED JUDGE OR JUSTICE. IF THE PARTIES DO NOT AGREE UPON A REFEREE WITHIN 10 DAYS OF SUCH WRITTEN REQUEST, THEN, ANY PARTY SHALL HAVE THE RIGHT TO REQUEST THE COURT TO APPOINT A REFEREE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 640(B). THE REFEREE SHALL BE APPOINTED TO SIT WITH ALL OF THE POWERS PROVIDED BY LAW. PENDING APPOINTMENT OF THE REFEREE, THE COURT SHALL HAVE THE POWER TO ISSUE TEMPORARY OR PROVISIONAL REMEDIES.

(iv) EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE REFEREE SHALL DETERMINE THE MANNER IN WHICH THE REFERENCE PROCEEDING IS CONDUCTED INCLUDING THE TIME AND PLACE OF HEARINGS, THE ORDER OF PRESENTATION OF EVIDENCE, AND ALL OTHER QUESTIONS THAT ARISE WITH RESPECT TO THE COURSE OF THE REFERENCE PROCEEDING. ALL PROCEEDINGS AND HEARINGS CONDUCTED BEFORE THE REFEREE, EXCEPT FOR TRIAL, SHALL BE CONDUCTED WITHOUT A COURT REPORTER, EXCEPT WHEN ANY PARTY SO REQUESTS A COURT REPORTER AND A TRANSCRIPT IS ORDERED. A COURT REPORTER SHALL BE USED AND THE REFEREE SHALL BE PROVIDED A COURTESY COPY OF THE TRANSCRIPT. THE PARTY MAKING SUCH REQUEST SHALL HAVE THE OBLIGATION TO ARRANGE FOR AND PAY THE COSTS OF THE COURT REPORTER PROVIDED THAT SUCH COSTS, ALONG WITH THE REFEREE'S FEES, SHALL ULTIMATELY BE BORNE BY THE PARTY WHO DOES NOT PREVAIL, AS DETERMINED BY THE REFEREE.

(v) THE REFEREE MAY REQUIRE ONE OR MORE PREHEARING CONFERENCES. THE PARTIES HERETO SHALL BE ENTITLED TO DISCOVERY, AND THE REFEREE SHALL OVERSEE DISCOVERY IN ACCORDANCE WITH THE RULES OF DISCOVERY, AND SHALL ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE IN PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA.

(vi) THE REFEREE SHALL APPLY THE RULES OF EVIDENCE APPLICABLE TO PROCEEDINGS AT LAW IN THE STATE OF CALIFORNIA AND SHALL DETERMINE ALL ISSUES IN ACCORDANCE WITH CALIFORNIA SUBSTANTIVE AND PROCEDURAL LAW. THE REFEREE SHALL BE EMPOWERED TO ENTER EQUITABLE AS WELL AS LEGAL RELIEF AND RULE ON ANY MOTION WHICH WOULD BE AUTHORIZED IN A TRIAL, INCLUDING MOTIONS FOR DEFAULT JUDGMENT OR SUMMARY JUDGMENT. THE REFEREE SHALL REPORT HIS OR HER DECISION, WHICH REPORT SHALL ALSO INCLUDE FINDINGS OF FACT AND CONCLUSIONS OF LAW. THE REFEREE SHALL ISSUE A DECISION AND PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE, SECTION 644, THE REFEREE'S DECISION SHALL BE ENTERED BY THE COURT AS A JUDGMENT IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE COURT. THE FINAL JUDGMENT OR ORDER FROM ANY APPEALABLE DECISION OR ORDER ENTERED BY THE REFEREE SHALL BE FULLY APPEALABLE AS IF IT HAS BEEN ENTERED BY THE COURT.

(vii) THE PARTIES RECOGNIZE AND AGREE THAT ALL CLAIMS RESOLVED IN A GENERAL REFERENCE PROCEEDING PURSUANT HERETO WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR OWN CHOICE, EACH PARTY HERETO KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT AGREES THAT THIS REFERENCE PROVISION SHALL APPLY TO ANY DISPUTE BETWEEN THEM THAT ARISES OUT OF OR IS RELATED TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

13. **ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.**

13.1 **Assignments and Participations.**

(a) (i) Subject to the conditions set forth in clause (a)(ii) below, any Lender may assign and delegate all or any portion of its rights and duties under the Loan Documents (including the Obligations owed to it and its Commitments) to one or more assignees so long as such prospective assignee is an Eligible Transferee (each, an "Assignee") without the prior written consent of any Loan Party or the Agent.

(i) Assignments shall be subject to the following additional conditions:

(A) no assignment may be made to a natural person,

(B) no assignment may be made to a Loan Party or an Affiliate of a Loan Party,

(C) the amount of the rights and obligations of the assigning Lender hereunder and under the other Loan Documents subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to Agent) shall be in a minimum amount (unless waived by Agent) of \$1,000,000 (except such minimum amount shall not apply to (I) an assignment or delegation by any Lender to any other Lender, an Affiliate of any Lender, or a Related Fund of such Lender or (II) a group of new Lenders, each of which is an Affiliate of each other or a Related Fund of such new Lender to the extent that the aggregate amount to be assigned to all such new Lenders is at least \$1,000,000);

(D) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(E) the parties to each assignment shall execute and deliver to Agent an Assignment and Acceptance; provided, that Borrowers and Agent may continue to deal solely and directly with the assigning Lender in connection with the interest so assigned to an Assignee until written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Parent and Agent by such Lender and the Assignee;

(F) unless waived by Agent, the assigning Lender or Assignee has paid to Agent, for Agent's separate account, a processing fee in the amount of \$3,500; and

(G) the assignee, if it is not a Lender, shall deliver to Agent an Administrative Questionnaire in a form approved by Agent (the “Administrative Questionnaire”).

(b) From and after the date that Agent receives the executed Assignment and Acceptance and, if applicable, payment of the required processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall be a “Lender” and shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assigning Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 10.3) and be released from any future obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender’s rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto); provided, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender’s obligations under Section 15 and Section 17.9(a).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto, (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrowers or the performance or observance by Borrowers of any of their obligations under this Agreement or any other Loan Document furnished pursuant hereto, (iii) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (iv) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (v) such Assignee appoints and authorizes Agent to take such actions and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent, by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and (vi) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon Agent’s receipt of the required processing fee, if applicable, and delivery of notice to the assigning Lender pursuant to Section 13.1(b), this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender *pro tanto*.

(e) Any Lender may at any time sell to one or more commercial banks, financial institutions, or other Persons (a “Participant”) participating interests in all or any portion of its Obligations and the other rights and interests of that Lender (the “Originating Lender”) hereunder and under the other Loan Documents; provided, that (i) the Originating Lender shall remain a “Lender” for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations and the other rights and interests of the Originating Lender hereunder shall not constitute a “Lender” hereunder or under the other Loan Documents and the Originating Lender’s obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrowers, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender’s rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or substantially all of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender (other than a waiver of default interest), or (E) decreases the amount or postpones the due dates of scheduled principal repayments or prepayments or premiums payable to such Participant through such Lender, (v) no participation shall be sold to a natural person, (vi) no participation shall be sold to a Loan Party or an Affiliate of a Loan Party, and (vii) all amounts payable by Borrowers hereunder shall be determined as if such Lender had not sold such participation, except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Borrowers, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation or any grant of a security interest in, or pledge of, its rights under and interest in this Agreement, a Lender may, subject to the provisions of Section 17.9, disclose all documents and information which it now or hereafter may have relating to Parent and its Subsidiaries and their respective businesses.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR §203.24, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

(h) Agent (as a non-fiduciary agent on behalf of Borrowers) shall maintain, or cause to be maintained, a register (the “Register”) on which it enters the name and address of each Lender as the registered owner of the Term Loan (and the principal amount thereof and stated interest thereon) held by such Lender (each, a “Registered Loan”). Other than in connection with an assignment by a Lender of all or any portion of its portion of the Term Loan to an Affiliate of such Lender or a Related Fund of such Lender (i) a Registered Loan (and the registered note, if any, evidencing the same) may be assigned or sold in whole or in part only by registration of such assignment or sale on the Register (and each registered note shall expressly so provide) and (ii) any assignment or sale of all or part of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by registration of such assignment or sale on the Register, together with the surrender of the registered note, if any, evidencing the same duly endorsed by (or accompanied by a written instrument of assignment or sale duly executed by) the holder of such registered note, whereupon, at the request of the designated assignee(s) or transferee(s), one or more new registered notes in the same aggregate principal amount shall be issued to the designated assignee(s) or transferee(s). Prior to the registration of assignment or sale of any Registered Loan (and the registered note, if any evidencing the same), Borrowers shall treat the Person in whose name such Registered Loan (and the registered note, if any, evidencing the same) is registered as the owner thereof for the purpose of receiving all payments thereon and for all other purposes, notwithstanding notice to the contrary. In the case of any assignment by a Lender of all or any portion of its Term Loan to an Affiliate of such Lender or a Related Fund of such Lender, and which assignment is not recorded in the Register, the assigning Lender, on behalf of Borrowers, shall maintain a register comparable to the Register.

(i) In the event that a Lender sells participations in the Registered Loan, such Lender, as a non-fiduciary agent on behalf of Borrowers, shall maintain (or cause to be maintained) a register on which it enters the name of all participants in the Registered Loans held by it (and the principal amount (and stated interest thereon) of the portion of such Registered Loans that is subject to such participations) (the “ Participant Register”). A Registered Loan (and the registered note, if any, evidencing the same) may be participated in whole or in part only by registration of such participation on the Participant Register (and each registered note shall expressly so provide). Any participation of such Registered Loan (and the registered note, if any, evidencing the same) may be effected only by the registration of such participation on the Participant Register.

(j) Agent shall make a copy of the Register (and each Lender shall make a copy of its Participant Register in the extent it has one) available for review by Borrowers from time to time as Borrowers may reasonably request.

13.2 **Successors.** This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, that no Borrower may assign this Agreement or any rights or duties hereunder without the Lenders’ prior written consent and any prohibited assignment shall be absolutely void *ab initio*. No consent to assignment by the Lenders shall release any Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 13.1 and, except as expressly required pursuant to Section 13.1, no consent or approval by any Borrower is required in connection with any such assignment.

14. **AMENDMENTS; WAIVERS.**

14.1 **Amendments and Waivers.**

(a) No amendment, waiver or other modification of any provision of this Agreement or any other Loan Document (other than the Fee Letter), and no consent with respect to any departure by Borrowers therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and the Loan Parties that are party thereto and then any such waiver or consent shall be effective, but only in the specific instance and for the specific purpose for which given; provided, that no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders directly affected thereby and all of the Loan Parties that are party thereto, do any of the following:

- (i) increase the amount of or extend the expiration date of any Commitment of any Lender,

(ii) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

(iii) reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document (except in connection with the waiver of applicability of Section 2.4(c)(which waiver shall be effective with the written consent of the Required Lenders)),

Lenders,

(iv) amend, modify, or eliminate this Section or any provision of this Agreement providing for consent or other action by all

(v) amend, modify, or eliminate Section 3.1,

(vi) amend, modify, or eliminate Section 15.11,

(vii) other than as permitted by Section 15.11, release Agent's Lien in and to any of the Collateral,

(viii) amend, modify, or eliminate the definitions of "Required Lenders" or "Pro Rata Share",

(ix) contractually subordinate any of Agent's Liens (except with respect to the First Lien Loan Documents pursuant to the Intercreditor Agreement),

(x) other than in connection with a merger, liquidation, dissolution or sale of such Person expressly permitted by the terms hereof or the other Loan Documents, release any Borrower or any Guarantor from any obligation for the payment of money or consent to the assignment or transfer by any Borrower or any Guarantor of any of its rights or duties under this Agreement or the other Loan Documents,

(xi) amend, modify, or eliminate any of the provisions of Section 2.3 (b)(i) or (ii) or Section 2.3(e), (f) or (g) or

(xii) amend, modify, or eliminate any of the provisions of Section 13.1 with respect to assignments to, or participations with, Persons who are Loan Parties or Affiliates of Loan Parties.

(b) No amendment, waiver, modification, or consent shall amend, modify, waive, or eliminate,

(i) the definition of, or any of the terms or provisions of, the Fee Letter, without the written consent of Agent and Parent (and shall not require the written consent of any of the Lenders),

(ii) any provision of Section 15 pertaining to Agent, or any other rights or duties of Agent under this Agreement or the other Loan Documents, without the written consent of Agent, Borrowers, and the Required Lenders,

(c) Anything in this Section 14.1 to the contrary notwithstanding, any amendment, modification, elimination, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of Borrowers, shall not require consent by or the agreement of any Loan Party.

14.2 **Replacement of Certain Lenders.**

(a) If (i) any action to be taken by the Lender Group or Agent hereunder requires the consent, authorization, or agreement of all Lenders or all Lenders affected thereby and if such action has received the consent, authorization, or agreement of the Required Lenders but not of all Lenders or all Lenders affected thereby, or (ii) any Lender makes a claim for compensation under Section 16, then Borrowers or Agent, upon at least 5 Business Days prior irrevocable notice, may permanently replace any Lender that failed to give its consent, authorization, or agreement (a “Non-Consenting Lender”) or any Lender that made a claim for compensation (a “Tax Lender”) with one or more substitute Lenders reasonably acceptable to Agent to purchase the Obligations owed to such Non-Consenting Lender or Tax Lender hereunder (a “Replacement Lender”), and the Non-Consenting Lender or Tax Lender, as applicable, shall have no right to refuse to be replaced hereunder. Such notice to replace the Non-Consenting Lender or Tax Lender, as applicable, shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given.

(b) Prior to the effective date of such replacement, the Non-Consenting Lender or Tax Lender, as applicable, and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Non-Consenting Lender or Tax Lender, as applicable, being repaid in full its share of the outstanding Obligations (without any premium or penalty of any kind whatsoever (other than premium amounts under Section 2.3(g)), but including, without, limitation, all interest, fees and other amounts that may be due in payable in respect thereof. If the Non-Consenting Lender or Tax Lender, as applicable, shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, Agent may, but shall not be required to, execute and deliver such Assignment and Acceptance in the name or and on behalf of the Non-Consenting Lender or Tax Lender, as applicable, and irrespective of whether Agent executes and delivers such Assignment and Acceptance, the Non-Consenting Lender or Tax Lender, as applicable, shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Non-Consenting Lender or Tax Lender, as applicable, shall be made in accordance with the terms of Section 13.1.

14.3 **No Waivers; Cumulative Remedies.** No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent’s and each Lender’s rights thereafter to require strict performance by Borrowers of any provision of this Agreement. Agent’s and each Lender’s rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

15. **AGENT; THE LENDER GROUP.**

15.1 **Appointment and Authorization of Agent.** Each Lender hereby designates and appoints Wilmington Trust, National Association as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes Agent to execute and deliver each of the other Loan Documents on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as agent for and on behalf of the Lenders on the conditions contained in this Section 15. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing, the use of the term “agent” in this Agreement or the other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only a representative relationship between independent contracting parties. Each Lender hereby further authorizes Agent to act as the secured party under each of the Loan Documents that create a Lien on any item of Collateral. Except as expressly otherwise provided in this Agreement, Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent, Lenders agree that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, payments and proceeds of Collateral, and related matters, (b) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) exclusively receive, apply, and distribute payments and proceeds of the Collateral as provided in the Loan Documents, (d) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes, (e) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Parent or its Subsidiaries, the Obligations, the Collateral, or otherwise related to any of same as provided in the Loan Documents, and (f) incur and pay such Lender Group Expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

15.2 **Delegation of Duties.** Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects as long as such selection was made without gross negligence or willful misconduct.

15.3 **Liability of Agent.** None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for (i) the satisfaction of any condition set forth on Schedule 3.1 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent, (ii) the failure of any Loan Party or Lender to perform its obligations hereunder or under any other Loan Document (iii) any recital, statement, representation or warranty made by Parent or any of its Subsidiaries or Affiliates, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, execution, effectiveness, genuineness, enforceability, collectability or sufficiency of this Agreement or any other Loan Document, or for any failure of Parent or its Subsidiaries or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lenders to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the books and records or properties of Parent or its Subsidiaries.

15.4 **Reliance by Agent.** Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, telefacsimile or other electronic method of transmission, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers or counsel to any Lender), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request, direction or consent of the Required Lenders and such request, direction or consent and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders. For the avoidance of doubt, Agent may upon the direction of the Required Lenders take any action that may be required or contemplated by the Intercreditor Agreement.

15.5 **Notice of Default or Event of Default.** Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders and, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Borrowers referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a “notice of default.” Agent promptly will notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 15.4, Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

15.6 **Credit Decision.** Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Parent and its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers or any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers or any other Person party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrowers or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges that Agent does not have any duty or responsibility, either initially or on a continuing basis (except to the extent, if any, that is expressly specified herein) to provide such Lender with any credit or other information with respect to any Borrower, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent's or its Affiliates' or representatives' possession before or after the date on which such Lender became a party to this Agreement.

15.7 **Costs and Expenses; Indemnification.** Agent may incur and pay Lender Group Expenses to the extent Agent reasonably deems necessary or appropriate for the performance and fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, attorneys fees and expenses, fees and expenses of financial accountants, advisors, consultants, and appraisers, costs of collection by outside collection agencies, auctioneer fees and expenses, and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrowers are obligated to reimburse Agent or Lenders for such expenses pursuant to this Agreement or otherwise. Agent is authorized and directed to deduct and retain sufficient amounts from payments or proceeds of the Collateral received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders. In the event Agent is not reimbursed for such costs and expenses by Parent or its Subsidiaries, each Lender hereby agrees that it is and shall be obligated to pay to Agent such Lender's ratable portion thereof. Whether or not the transactions contemplated hereby are consummated, each of the Lenders, on a ratable basis, shall indemnify and defend the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrowers and without limiting the obligation of Borrowers to do so) from and against any and all Indemnified Liabilities; provided, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any other Lender in failing to make any required extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out of pocket expenses (including attorneys, accountants, advisors, and consultants fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Loan Document to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

15.8 **Agent in Individual Capacity.** Wilmington Trust, National Association and its Affiliates may make loans to, accept deposits from, and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Parent and its Subsidiaries and Affiliates and any other Person party to any Loan Document as though Wilmington Trust, National Association were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, the Agent or its Affiliates may receive information regarding Parent or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Parent or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them.

15.9 **Successor Agent.** Agent may resign as Agent upon 30 days (10 days if an Event of Default has occurred and is continuing) prior written notice to the Lenders (unless such notice is waived by the Required Lenders) and Borrowers (unless such notice is waived by Borrowers). If Agent resigns under this Agreement, the Required Lenders shall be entitled, with (so long as no Event of Default has occurred and is continuing) the consent of Borrowers (such consent not to be unreasonably withheld, delayed, or conditioned), appoint a successor Agent for the Lenders. If no successor Agent is appointed prior to the effective date of the resignation of Agent, Agent may appoint, after consulting with the Lenders and Borrowers, a successor Agent. If Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent with a successor Agent from among the Lenders with (so long as no Event of Default has occurred and is continuing) the consent of Borrowers (such consent not to be unreasonably withheld, delayed, or conditioned). In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers, and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers, and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor Agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above.

15.10 **Lender in Individual Capacity.** Any Lender and its respective Affiliates may make loans to and generally engage in any kind of business with Parent and its Subsidiaries and Affiliates and any other Person party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Parent or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Parent or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.

15.11 **Collateral Matters.**(a) The Lenders hereby irrevocably authorize Agent to release any Lien on any Collateral (i) upon the payment and satisfaction in full by Borrowers of all of the Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Borrowers certify to Agent that the sale or disposition is permitted under Section 6.4 (and Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property in which Parent or its Subsidiaries owned no interest at the time Agent's Lien was granted nor at any time thereafter, (iv) other than any Lien with respect to the Parkdale JV Interests Collateral, to the extent Agent is required to release such Lien in accordance with the terms of the Intercreditor Agreement, or (v) constituting property leased to Parent or its Subsidiaries under a lease that has expired or is terminated in a transaction permitted under this Agreement. The Loan Parties and the Lenders hereby irrevocably authorize Agent, based upon the instruction of the Required Lenders, to (a) consent to, credit bid or purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any sale thereof conducted under the provisions of the Bankruptcy Code, including under Section 363 of the Bankruptcy Code, (b) credit bid or purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any sale or other disposition thereof conducted under the provisions of the Code, including pursuant to Sections 9-610 or 9-620 of the Code, or (c) credit bid or purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any other sale or foreclosure conducted by Agent (whether by judicial action or otherwise) in accordance with applicable law. In connection with any such credit bid or purchase, (i) the Obligations owed to the Lenders shall be entitled to be, and shall be, credit bid on a ratable basis (with Obligations with respect to contingent or unliquidated claims being estimated for such purpose if the fixing or liquidation thereof would not unduly delay the ability of Agent to credit bid or purchase at such sale or other disposition of the Collateral and, if such claims cannot be estimated without unduly delaying the ability of Agent to credit bid, then such claims shall be disregarded, not credit bid, and not entitled to any interest in the asset or assets purchased by means of such credit bid) and the Lenders whose Obligations are credit bid shall be entitled to receive interests (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) in the asset or assets so purchased (or in the Equity Interests of the acquisition vehicle or vehicles that are used to consummate such purchase), and (ii) Agent, based upon the instruction of the Required Lenders, may accept non-cash consideration, including debt and equity securities issued by such acquisition vehicle or vehicles and in connection therewith Agent may reduce the Obligations owed to the Lenders (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) based upon the value of such non-cash consideration. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or substantially all of the Collateral, all of the Lenders, or (z) otherwise, the Required Lenders. Upon request by Agent or Borrowers at any time, the Lenders will confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 15.11; provided, that (1) Agent shall not be required to execute any document necessary to evidence such release on terms that, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of Borrowers in respect of) all interests retained by Borrowers, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral. The Lenders further hereby irrevocably authorize Agent, at its option and in its sole discretion, to subordinate any Lien granted to or held by Agent under any Loan Document to the holder of any Permitted Lien on such property if such Permitted Lien secures Permitted Purchase Money Indebtedness.

(b) Agent shall have no obligation whatsoever to any of the Lenders to assure the value or sufficiency of any Collateral or that the Collateral exists or is owned by Parent or its Subsidiaries or is cared for, protected, or insured or has been encumbered, or that Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, maintained, preserved, continued or enforced or are entitled to any particular priority, or that any particular items of Collateral meet the eligibility criteria applicable in respect thereof, or whether to impose, maintain, reduce, or eliminate any particular reserve hereunder or whether the amount of any such reserve is appropriate or not, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing, except as otherwise provided herein.

15.12 **Restrictions on Actions by Lenders; Sharing of Payments .**

(a) Each of the Lenders agrees that it shall not, without the express written consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of Agent, set off against the Obligations, any amounts owing by such Lender to Parent or its Subsidiaries or any deposit accounts of Parent or its Subsidiaries now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings to enforce any Loan Document against any Borrower or any Guarantor or to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's Pro Rata Share of all such distributions by Agent, such Lender promptly shall (A) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, that to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

15.13 **Agency for Perfection.** Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts such appointment) for the purpose of perfecting Agent's Liens in assets which, in accordance with Article 8 or Article 9, as applicable, of the Code can be perfected by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent's instructions.

15.14 **Payments by Agent to the Lenders.** All payments to be made by Agent to the Lenders shall be made by bank wire transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, fees, or interest of the Obligations.

15.15 **Concerning the Collateral and Related Loan Documents.** Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

15.16 **[Reserved].**

15.17 **Several Obligations; No Liability.** Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 15.7, no member of the Lender Group shall have any liability for the acts of any other member of the Lender Group. No Lender shall be responsible to any Borrower or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for such Lender or on its behalf, nor to take any other action on behalf of such Lender hereunder or in connection with the financing contemplated herein.

16. **WITHHOLDING TAXES.**

16.1 **Payments.** All payments made by Borrowers hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense. In addition, all such payments will be made free and clear of, and without deduction or withholding for, any present or future Indemnified Taxes, and in the event any deduction or withholding of Indemnified Taxes is required, Borrowers shall comply with the next sentence of this Section 16.1. If any Indemnified Taxes are so levied or imposed, Borrowers agree to pay the full amount of such Indemnified Taxes and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement, any note, or Loan Document, including any amount paid pursuant to this Section 16.1 after withholding or deduction for or on account of any Indemnified Taxes, will not be less than the amount provided for herein; provided, that Borrowers shall not be required to increase any such amounts to the extent that the increase in such amount payable results from Agent's or such Lender's own willful misconduct or gross negligence (as finally determined by a court of competent jurisdiction). Borrowers will furnish to Agent as promptly as possible after the date the payment of any Indemnified Tax is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by Borrowers. Borrowers agree to pay any present or future stamp, value added or documentary taxes or any other excise or property taxes, charges, or similar levies that arise from any payment made hereunder or from the execution, delivery, performance, recordation, or filing of, or otherwise with respect to this Agreement or any other Loan Document.

16.2 **Exemptions.**

(a) If a Lender or Participant is entitled to claim an exemption or reduction from United States withholding tax, such Lender or Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) one of the following before receiving its first payment under this Agreement:

(i) if such Lender or Participant is entitled to claim an exemption from United States withholding tax pursuant to the portfolio interest exception, (A) a statement of the Lender or Participant, signed under penalty of perjury, that it is not a (I) a "bank" as described in Section 881(c)(3)(A) of the IRC, (II) a 10% shareholder of any Borrower (within the meaning of Section 871(h)(3)(B) of the IRC), or (III) a controlled foreign corporation related to any Borrower within the meaning of Section 864(d)(4) of the IRC, and (B) a properly completed and executed IRS Form W-8BEN or Form W-8IMY (with proper attachments);

(ii) if such Lender or Participant is entitled to claim an exemption from, or a reduction of, withholding tax under a United States tax treaty, a properly completed and executed copy of IRS Form W-8BEN;

(iii) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, a properly completed and executed copy of IRS Form W-8ECI;

(iv) if such Lender or Participant is entitled to claim that interest paid under this Agreement is exempt from United States withholding tax because such Lender or Participant serves as an intermediary, a properly completed and executed copy of IRS Form W-8IMY (with proper attachments); or

(v) a properly completed and executed copy of any other form or forms, including IRS Form W-9, as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding or backup withholding tax.

(b) Each Lender or Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(c) If a Lender or Participant claims an exemption from withholding tax in a jurisdiction other than the United States, such Lender or such Participant agrees with and in favor of Agent, to deliver to Agent (or, in the case of a Participant, to the Lender granting the participation only) any such form or forms, as may be required under the laws of such jurisdiction as a condition to exemption from, or reduction of, foreign withholding or backup withholding tax before receiving its first payment under this Agreement, but only if such Lender or such Participant is legally able to deliver such forms, provided, that nothing in this Section 16.2(c) shall require a Lender or Participant to disclose any information that it deems to be confidential (including without limitation, its tax returns). Each Lender and each Participant shall provide new forms (or successor forms) upon the expiration or obsolescence of any previously delivered forms and to promptly notify Agent (or, in the case of a Participant, to the Lender granting the participation only) of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(d) If a Lender or Participant claims exemption from, or reduction of, withholding tax and such Lender or Participant sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrowers to such Lender or Participant, such Lender or Participant agrees to notify Agent (or, in the case of a sale of a participation interest, to the Lender granting the participation only) of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrowers to such Lender or Participant. To the extent of such percentage amount, Agent will treat such Lender's or such Participant's documentation provided pursuant to Section 16.2(a) or 16.2(c) as no longer valid. With respect to such percentage amount, such Participant or Assignee may provide new documentation, pursuant to Section 16.2(a) or 16.2(c), if applicable. Borrowers agree that each Participant shall be entitled to the benefits of this Section 16 with respect to its participation in any portion of the Commitments and the Obligations so long as such Participant complies with the obligations set forth in this Section 16 with respect thereto.

16.3 **Reductions.**

(a) If a Lender or a Participant is entitled to a reduction in the applicable withholding tax, Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by Section 16.2(a) or 16.2(c) are not delivered to Agent (or, in the case of a Participant, to the Lender granting the participation), then Agent (or, in the case of a Participant, to the Lender granting the participation) may withhold from any interest payment to such Lender or such Participant not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(b) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent (or, in the case of a Participant, to the Lender granting the participation) did not properly withhold tax from amounts paid to or for the account of any Lender or any Participant due to a failure on the part of the Lender or any Participant (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Agent (or such Participant failed to notify the Lender granting the participation) of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify and hold Agent harmless (or, in the case of a Participant, such Participant shall indemnify and hold the Lender granting the participation harmless) for all amounts paid, directly or indirectly, by Agent (or, in the case of a Participant, to the Lender granting the participation), as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent (or, in the case of a Participant, to the Lender granting the participation only) under this Section 16, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders and the Participants under this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

16.4 **Refunds.** If Agent or a Lender determines, in its sole discretion, that it has received a refund of any Indemnified Taxes to which Borrowers have paid additional amounts pursuant to this Section 16, so long as no Default or Event of Default has occurred and is continuing, it shall pay over such refund to Borrowers (but only to the extent of payments made, or additional amounts paid, by Borrowers under this Section 16 with respect to Indemnified Taxes giving rise to such a refund), net of all out-of-pocket expenses of Agent or such Lender and without interest (other than any interest paid by the applicable Governmental Authority with respect to such a refund); provided, that Borrowers, upon the request of Agent or such Lender, agrees to repay the amount paid over to Borrowers (plus any penalties, interest or other charges, imposed by the applicable Governmental Authority, other than such penalties, interest or other charges imposed as a result of the willful misconduct or gross negligence of Agent hereunder) to Agent or such Lender in the event Agent or such Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything in this Agreement to the contrary, this Section 16 shall not be construed to require Agent or any Lender to make available its tax returns (or any other information which it deems confidential) to any Borrower or any other Person.

17. **GENERAL PROVISIONS.**

17.1 **Effectiveness.** This Agreement shall be binding and deemed effective when executed by each Borrower, Agent, and each Lender whose signature is provided for on the signature pages hereof.

17.2 **Section Headings.** Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

17.3 **Interpretation.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against the Lender Group or Borrowers, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

17.4 **Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

17.5 **[Reserved].**

17.6 **Debtor-Creditor Relationship.** The relationship between the Lenders and Agent, on the one hand, and the Loan Parties, on the other hand, is solely that of creditor and debtor. No member of the Lender Group has (or shall be deemed to have) any fiduciary relationship or duty to any Loan Party arising out of or in connection with the Loan Documents or the transactions contemplated thereby, and there is no agency or joint venture relationship between the members of the Lender Group, on the one hand, and the Loan Parties, on the other hand, by virtue of any Loan Document or any transaction contemplated therein.

17.7 **Counterparts; Electronic Execution.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile or other electronic method of transmission shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile, .pdf, email or other electronic method of transmission also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document *mutatis mutandis*.

17.8 **Revival and Reinstatement of Obligations; Certain Waivers.** If the incurrence or payment of the Obligations by any Borrower or Guarantor or the transfer to the Lender Group of any property should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (each, a "Voidable Transfer"), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the advice of counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of each Borrower and Guarantor automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

17.9 **Confidentiality.**

(a) Agent and Lenders each individually (and not jointly or jointly and severally) agree that any material, non-public information regarding Parent and its Subsidiaries, their operations, assets, and existing and contemplated business plans (“Confidential Information”) furnished to Agent and any Lender hereunder shall be treated by Agent and the Lenders in a confidential manner, and shall not be disclosed by Agent and the Lenders to Persons who are not parties to this Agreement, except: (i) to attorneys for and other advisors, accountants, auditors, and consultants to any member of the Lender Group and to employees, directors and officers of any member of the Lender Group (the Persons in this clause (i), “Lender Group Representatives”) on a “need to know” basis in connection with this Agreement and the transactions contemplated hereby and on a confidential basis, (ii) to Subsidiaries and Affiliates of any member of the Lender Group, provided that any such Subsidiary or Affiliate shall have agreed to receive such information hereunder subject to the terms of this Section 17.9, (iii) as may be required by regulatory authorities so long as such authorities are informed of the confidential nature of such information, (iv) as may be required by statute, decision, or judicial or administrative order, rule, or regulation; provided that (x) prior to any disclosure under this clause (iv), the disclosing party agrees to provide Borrowers with prior notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior notice to Borrowers pursuant to the terms of the applicable statute, decision, or judicial or administrative order, rule, or regulation and (y) any disclosure under this clause (iv) shall be limited to the portion of the Confidential Information as may be required by such statute, decision, or judicial or administrative order, rule, or regulation, (v) as may be agreed to in advance in writing by Borrowers, (vi) as requested or required by any Governmental Authority pursuant to any subpoena or other legal process, provided, that, (x) prior to any disclosure under this clause (vi) the disclosing party agrees to provide Borrowers with reasonable prior written notice thereof, to the extent that it is practicable to do so and to the extent that the disclosing party is permitted to provide such prior written notice to Borrowers pursuant to the terms of the subpoena or other legal process and (y) any disclosure under this clause (vi) shall be limited to the portion of the Confidential Information as may be required by such Governmental Authority pursuant to such subpoena or other legal process, (vii) as to any such information that is or becomes generally available to the public (other than as a result of prohibited disclosure by Agent or the Lenders or the Lender Group Representatives), (viii) in connection with any assignment, participation or pledge of any Lender’s interest under this Agreement, provided that prior to receipt of Confidential Information any such assignee, participant, or pledgee shall have agreed in writing to receive such Confidential Information hereunder subject to the terms of this Section, (ix) in connection with any litigation or other adversary proceeding involving parties hereto which such litigation or adversary proceeding involves claims related to the rights or duties of such parties under this Agreement or the other Loan Documents; provided, that, prior to any disclosure to any Person (other than any Loan Party, Agent, any Lender, any of their respective Affiliates, or their respective counsel) under this clause (ix) with respect to litigation involving any Person (other than any Borrower, Agent, any Lender, any of their respective Affiliates, or their respective counsel), the disclosing party agrees to provide Borrowers with reasonable prior written notice thereof, and (x) in connection with, and to the extent reasonably necessary for, the exercise of any secured creditor remedy under this Agreement or under any other Loan Document.

(b) Anything in this Agreement to the contrary notwithstanding, Agent and Lenders may disclose information concerning the terms and conditions of this Agreement and the other Loan Documents to loan syndication and pricing reporting services or in its marketing or promotional materials, with such information to consist of deal terms and other information customarily found in such publications or marketing or promotional materials and may otherwise use the name, logos, and other insignia of Parent or the other Loan Parties and the Commitments provided hereunder in any “tombstone” or other advertisements, on its website or in other marketing materials.

(c) The Loan Parties hereby acknowledge that Agent or its Affiliates may make available to the Lenders materials or information provided by or on behalf of Borrowers hereunder (collectively, “Borrower Materials”) by posting the Borrower Materials on IntraLinks, SyndTrak or another similar electronic system (the “Platform”) and certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Loan Parties or their securities) (each, a “Public Lender”). The Loan Parties shall be deemed to have authorized Agent and its Affiliates and the Lenders to treat Borrower Materials marked “PUBLIC” or otherwise at any time filed with the SEC as not containing any material non-public information with respect to the Loan Parties or their securities for purposes of United States federal and state securities laws. All Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated as “Public Investor” (or another similar term). Agent and its Affiliates and the Lenders shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” or that are not at any time filed with the SEC as being suitable only for posting on a portion of the Platform not marked as “Public Investor” (or such other similar term).

17.10 **Survival.** All representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Agent or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of, or any accrued interest on, any Loan or any fee or any other amount payable under this Agreement is outstanding or unpaid.

17.11 **Patriot Act.** Each Lender that is subject to the requirements of the Patriot Act hereby notifies Borrowers that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Borrowers, which information includes the names and address of Borrowers and other information that will allow such Lender to identify Borrowers in accordance with the Patriot Act. In addition, if Agent is required by law or regulation or internal policies to do so, it shall have the right to periodically conduct (a) Patriot Act searches, OFAC/PEP searches, and customary individual background checks for the Loan Parties and (b) OFAC/PEP searches and customary individual background checks for the Loan Parties' senior management and key principals, and Borrowers agree to cooperate in respect of the conduct of such searches and further agrees that the reasonable costs and charges for such searches shall constitute Lender Group Expenses hereunder and be for the account of Borrowers.

17.12 **Integration.** This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

17.13 **Intercreditor Agreement.** Each Lender, by becoming a party to this Agreement, acknowledges that it shall be bound by all of the terms and provisions of the Intercreditor Agreement applicable to it, including, without limitation, Section 4.2 thereof.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

BORROWERS:

UNIFI, INC.,
a New York corporation

By: /s/ RONALD L. SMITH
Ronald L. Smith, Vice President

UNIFI MANUFACTURING, INC.,
a North Carolina corporation

By: /s/ RONALD L. SMITH
Ronald L. Smith, Vice President

AGENT:

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Agent

By: /s/ RENEE KUHL
Name: Renee Kuhl, Vice President

LENDERS:

MACKAY SHIELDS LLC, solely in its capacity as investment adviser or sub-advisor for the Lenders listed on Schedule C-1 attached hereto and not in its individual capacity

By: /s/ LUCILLE PROTAS
Name: Lucille Protas, President

EXHIBIT A-1

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This **ASSIGNMENT AND ACCEPTANCE AGREEMENT** (“Assignment Agreement”) is entered into as of [] between (“Assignor”) and (“Assignee”). Reference is made to the Agreement described in Annex I hereto (the “Credit Agreement”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement.

1. In accordance with the terms and conditions of Section 13 of the Credit Agreement, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to the Assignor's rights and obligations under the Loan Documents as of the date hereof with respect to the Obligations owing to the Assignor, and Assignor's portion of the Commitments, all to the extent specified on Annex I.

2. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim and (ii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby; (b) makes no representation or warranty and assumes no responsibility with respect to (i) any statements, representations or warranties made in or in connection with the Loan Documents, or (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (c) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower or the performance or observance by Borrower of any of its obligations under the Loan Documents or any other instrument or document furnished pursuant thereto, and (d) represents and warrants that the amount set forth as the Purchase Price on Annex I represents the amount owed by Borrowers to Assignor with respect to Assignor's share of the Registered Loan[s] assigned hereunder, as reflected on Assignor's books and records.

3. The Assignee (a) confirms that it has received copies of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (b) agrees that it will, independently and without reliance upon Agent, Assignor, or any other Lender, based upon such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under the Loan Documents; (c) confirms that it is an Eligible Transferee; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (e) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender; [and (f) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty.]

4. Following the execution of this Assignment Agreement by the Assignor and Assignee, the Assignor will deliver this Assignment Agreement to the Agent for recording by the Agent. The effective date of this Assignment (the "Settlement Date") shall be the latest to occur of (a) the date of the execution and delivery hereof by the Assignor and the Assignee, (b) the receipt by Agent for its sole and separate account a processing fee in the amount of \$3,500 (if required by the Credit Agreement), (c) the receipt of any required consent of the Agent, and (d) the date specified in Annex I.

5. As of the Settlement Date (a) the Assignee shall be a party to the Credit Agreement and, to the extent of the interest assigned pursuant to this Assignment Agreement, have the rights and obligations of a Lender thereunder and under the other Loan Documents, and (b) the Assignor shall, to the extent of the interest assigned pursuant to this Assignment Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and the other Loan Documents, provided, however, that nothing contained herein shall release any assigning Lender from obligations that survive the termination of this Agreement, including such assigning Lender's obligations under Article 15 and Section 17.9(a) of the Credit Agreement.

6. Upon the Settlement Date, Assignee shall pay to Assignor the Purchase Price (as set forth in Annex I). From and after the Settlement Date, Agent shall make all payments that are due and payable to the holder of the interest assigned hereunder (including payments of principal, interest, fees and other amounts) to Assignor for amounts which have accrued up to but excluding the Settlement Date and to Assignee for amounts which have accrued from and after the Settlement Date. On the Settlement Date, Assignor shall pay to Assignee an amount equal to the portion of any interest, fee, or any other charge that was paid to Assignor prior to the Settlement Date on account of the interest assigned hereunder and that are due and payable to Assignee with respect thereto, to the extent that such interest, fee or other charge relates to the period of time from and after the Settlement Date.

7. This Assignment Agreement may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Assignment Agreement may be executed and delivered by telecopier or other facsimile transmission all with the same force and effect as if the same were a fully executed and delivered original manual counterpart.

8. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement and Annex I hereto to be executed by their respective officers, as of the first date written above.

[NAME OF ASSIGNOR]

as Assignor

By: _____
Name:
Title:

[NAME OF ASSIGNEE]

as Assignee

By: _____
Name:
Title:

ACCEPTED THIS ____ DAY OF

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Agent

By: _____
Name:
Title:

ANNEX FOR ASSIGNMENT AND ACCEPTANCE

ANNEX I

1. Borrowers: Unifi, Inc. and Unifi Manufacturing, Inc.

2. Name and Date of Credit Agreement:

Credit Agreement, dated as of May __, 2012 by and among the lenders identified on the signature pages thereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a “Lender” and collectively as the “Lenders”), **WILMINGTON TRUST, NATIONAL ASSOCIATION**, as administrative agent for the Lenders (“Agent”), and **UNIFI, INC.**, a New York corporation and **UNIFI MANUFACTURING, INC.**, a North Carolina corporation, as borrowers (the “Borrowers”).

3. Date of Assignment Agreement: _____

4. Amounts:

(i) Assigned Amount of Revolver Commitment \$ _____

b. Assigned Amount of Advances \$ _____

c. Assigned Amount of Term Loan \$ _____

5. Settlement Date: _____

6. Purchase Price \$ _____

7. Notice and Payment Instructions, etc.

Assignee:

Assignor:

8. Agreed and Accepted:

[ASSIGNOR]

[ASSIGNEE]

By: _____
Title: _____

By: _____
Title: _____

Accepted:

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Agent

By: _____
Name:
Title:

EXHIBIT C-1

FORM OF COMPLIANCE CERTIFICATE

[on Parent's letterhead]

To: Wilmington Trust, National Association
50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
Attn: Joshua James

Ladies and Gentlemen:

Reference is made to that certain **CREDIT AGREEMENT** (the "Credit Agreement") dated as of May __, 2012, by and among the lenders identified on the signature pages thereof (such lenders, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), **WILMINGTON TRUST, NATIONAL ASSOCIATION**, as the administrative agent for the Lenders ("Agent"), and **UNIFI, INC.**, a New York corporation ("Parent"), and **UNIFI MANUFACTURING, INC.**, a North Carolina corporation, as borrowers (collectively, "Borrowers"). Capitalized terms used in this Compliance Certificate have the meanings set forth in the Credit Agreement unless specifically defined herein.

Pursuant to Schedule 5.1 of the Credit Agreement, the undersigned officer of Parent hereby certifies that:

1. The financial information of Parent and its Subsidiaries furnished in Schedule 1 attached hereto, has been prepared in accordance with GAAP, and fairly presents in all material respects the financial condition of Parent and its Subsidiaries.
2. Such officer has reviewed the terms of the Credit Agreement and has made, or caused to be made under his/her supervision, a review in reasonable detail of the transactions and condition of Parent and its Subsidiaries during the accounting period covered by the financial statements delivered pursuant to Schedule 5.1 of the Credit Agreement.
3. Such review has not disclosed the existence on and as of the date hereof, and the undersigned does not have knowledge of the existence as of the date hereof, of any event or condition that constitutes a Default or Event of Default, except for such conditions or events listed on Schedule 2 attached hereto, specifying the nature and period of existence thereof and what action Parent and its Subsidiaries have taken, are taking, or propose to take with respect thereto.
4. The representations and warranties of Parent and its Subsidiaries set forth in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof (except to the extent they relate to a specified date), except as set forth on Schedule 3 attached hereto.
5. Parent and its Subsidiaries are in compliance with the applicable covenants contained in Section 7 of the Credit Agreement as demonstrated on Schedule 4 hereof.

IN WITNESS WHEREOF, this Compliance Certificate is executed by the undersigned this ____ day of _____, _____.

UNIFI, INC., a New York corporation

By: _____
Name: _____
Title: _____

SCHEDULE 1

Financial Information

Exhibit C-1 - 3

SCHEDULE 2

Default or Event of Default

Exhibit C-1 - 4

SCHEDULE 3

Representations and Warranties

Exhibit C-1 - 5

SCHEDULE 4

Financial Covenants

[to be completed by Parent]

Exhibit C-1 - 6

EXHIBIT P-1

FORM OF PERFECTION CERTIFICATE

Reference is hereby made to (a) that certain Credit Agreement dated as of May ___, 2012 (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement") by and among **UNIFI, INC.**, a New York corporation ("Parent"), and **UNIFI MANUFACTURING, INC.**, a North Carolina corporation, as borrowers (collectively, "Borrowers"), the lenders party thereto as "Lenders" (each of such Lenders, together with its successors and permitted assigns, is referred to hereinafter as a "Lender"), and **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national banking association, in its capacity as administrative agent for the Lender Group and the Bank Product Providers (in such capacity, together with its successors and assigns in such capacity, "Agent"), and (b) that certain Guaranty and Security Agreement dated as of May ___, 2012 (as amended, restated, supplemented, or otherwise modified from time to time, the "Guaranty and Security Agreement") by and among Parent and certain Domestic Subsidiaries of Parent parties thereto as "Grantors", and Agent.

All initially capitalized terms used herein without definition shall have the meanings ascribed thereto in the Credit Agreement (including Schedule 1.1 thereto). Any terms (whether capitalized or lower case) used in this Perfection Certificate that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein or in the Credit Agreement; provided that to the extent that the Code is used to define any term used herein and if such term is defined differently in different Articles of the Code, the definition of such term contained in Article 9 of the Code shall govern. As used herein, the term "Loan Parties" shall mean the "Loan Parties" as that term is defined in the Credit Agreement and "Code" shall mean the "Code" as that term is defined in the Guaranty and Security Agreement.

The undersigned, the _____ of Parent, hereby certify (in my capacity as _____ and not in my individual capacity) to Agent and each of the other Lenders as follows as of _____, 20__ :

1. Names.

(a) The exact legal name of each Loan Party, as such name appears in its certified certificate of incorporation, articles of incorporation, certificate of formation, or any other organizational document, is set forth in **Schedule 1(a)**. Each Loan Party is (i) the type of entity disclosed next to its name in **Schedule 1(a)** and (ii) a registered organization except to the extent disclosed in **Schedule 1(a)**. Also set forth in **Schedule 1(a)** is the organizational identification number, if any, of each Loan Party that is a registered organization, the Federal Taxpayer Identification Number of each Loan Party and the jurisdiction of formation of each Loan Party. Each Loan Party has qualified to do business in the states listed on **Schedule 1(a)**.

(b) Set forth in **Schedule 1(b)** hereto is a list of any other legal names each Loan Party has had in the past five years, together with the date of the relevant name change.

(c) Set forth in **Schedule 1(c)** is a list of all other names used by each Loan Party in connection with any business or organization to which such Loan Party became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise or on any filings with the Internal Revenue Service, in each case, at any time in the past five years. Except as set forth in **Schedule 1(c)**, no Loan Party has changed its jurisdiction of organization at any time during the past four months.

2. Chief Executive Offices. The chief executive office of each Loan Party is located at the address set forth in **Schedule 2** hereto.

3. Real Property.

(a) Attached hereto as **Schedule 3(a)** is a list of all (i) Real Property (as defined in the Guaranty and Security Agreement) of each Loan Party, (ii) filing offices for any mortgages encumbering the Real Property or to encumber, the Real Property as of the Closing Date, (iii) common names, addresses and uses of each parcel of Real Property (stating improvements located thereon) and (iv) other information relating thereto required by such Schedule. Except as described on **Schedule 3(a)** attached hereto: (A) no Loan Party has entered into any leases, subleases, tenancies, franchise agreements, licenses or other occupancy arrangements as owner, lessor, sublessor, licensor, franchisor or grantor with respect to any of the real property described on **Schedule 3(a)** and (B) no Loan Party has any leases which require the consent of the landlord, tenant or other party thereto to the transactions contemplated by the Loan Documents.

(b) **Schedule 3(b)** sets forth all third parties (“Bailees”) with possession of any Collateral (including inventory and equipment) of the Loan Parties, including the name and address of such Bailee, a description of the inventory and equipment in such Bailee’s possession and the location of such inventory and equipment (if none please so state).

4. Extraordinary Transactions. Except for those purchases, mergers, acquisitions, consolidations, and other transactions that have occurred at any time in the past five years described on **Schedule 4** attached hereto, all of the Collateral has been originated by each Loan Party in the ordinary course of business or consists of goods which have been acquired by such Loan Party in the ordinary course of business from a person in the business of selling goods of that kind.

5. Stock Ownership and Other Equity Interests. Attached hereto as **Schedule 5(a)** is a true and correct list of each of all of the authorized, and the issued and outstanding, Equity Interests of each Loan Party and its Subsidiaries and the record and beneficial owners of such Equity Interests. Also set forth on **Schedule 5(a)** is each equity investment of each Loan Party that represents 50% or less of the equity of the entity in which such investment was made. Attached hereto as **Schedule 5(b)** is a true and correct organizational chart of Parent and its Subsidiaries.

6. Instruments and Chattel Paper. Attached hereto as **Schedule 6** is a true and correct list of all promissory notes, instruments (other than checks to be deposited in the ordinary course of business), tangible chattel paper, electronic chattel paper and other evidence of Indebtedness held by each Loan Party as of _____, 20__ having an aggregate value or face amount in excess of \$100,000, including all intercompany notes between or among any two or more Loan Parties or any of their Subsidiaries.

7. Intellectual Property.

(a) **Schedule 7(a)** provides a complete and correct list of all registered Copyrights (as defined in the Guaranty and Security Agreement) owned by any Loan Party, all applications for registration of Copyrights owned by any Loan Party, and all other Copyrights owned by any Loan Party and material to the conduct of the business of any Loan Party. **Schedule 7(a)** provides a complete and correct list of all Patents (as defined in the Guaranty and Security Agreement) owned by any Loan Party and all applications for Patents owned by any Loan Party. **Schedule 7(a)** provides a complete and correct list of all registered Trademarks (as defined in the Guaranty and Security Agreement) owned by any Loan Party, all applications for registration of Trademarks owned by any Loan Party, and all other Trademarks owned by any Loan Party and material to the conduct of the business of any Loan Party.

(b) **Schedule 7(b)** provides a complete and correct list of all Intellectual Property Licenses (as defined in the Guaranty and Security Agreement) entered into by any Loan Party pursuant to which (i) any Loan Party has provided any license or other rights in Intellectual Property (as defined in the Guaranty and Security Agreement) owned or controlled by such Loan Party to any other Person (other than non-exclusive software licenses granted in the ordinary course of business) or (ii) any Person has granted to any Loan Party any license or other rights in Intellectual Property owned or controlled by such Person that is material to the business of such Loan Party, including any Intellectual Property that is incorporated in any Inventory, software, or other product marketed, sold, licensed, or distributed by such Loan Party;

(c) Attached hereto as **Schedule 7(c)** in proper form for filing with the United States Patent and Trademark Office and United States Copyright Office (as applicable) are the filings necessary to preserve, protect and perfect the security interests in the United States Trademarks, United Patents, United States Copyrights and Intellectual Property Licenses set forth on **Schedule 7(a)** and **Schedule 7(b)**, including duly signed copies of each of the Patent Security Agreement, Trademark Security Agreement and the Copyright Security Agreement, as applicable.

8. **Commercial Tort Claims.** Attached hereto as **Schedule 12** is a true and correct list of all commercial tort claims that exceed \$100,000 held by each Loan Party, including a brief description thereof.

9. **Deposit Accounts and Securities Accounts.** Attached hereto as **Schedule 9** is a true and complete list of all Deposit Accounts and Securities Accounts (each as defined in the Guaranty and Security Agreement) maintained by each Loan Party, including the name of each institution where each such account is held, the name of each such account and the name of each entity that holds each account.

10. **Letter-of-Credit Rights.** Attached hereto as **Schedule 10** is a true and correct list of all letters of credit issued in favor of any Loan Party, as beneficiary thereunder, having an aggregate value or face amount in excess of \$100,000.

[The Remainder of this Page has been intentionally left blank]

IN WITNESS WHEREOF, we have hereunto signed this Perfection Certificate as of this ____ day of _____, 20__.

UNIFI, INC.

By: _____
Name:
Title:

Exhibit P-1 - 4

Schedule 1(a)

Legal Names, Etc.

Legal Name	Type of Entity	Registered Organization (Yes/No)	Organizational Number¹	Federal Taxpayer Identification Number	Jurisdiction of Formation

1 If none, so state.

Schedule 1(b)

Prior Names

Loan Party/Subsidiary	Prior Name	Date of Change

Schedule 1(c)

Changes in Corporate Identity; Other Names

Loan Party/Subsidiary	Name of Entity	Action	Date of Action	State of Formation	List of All Other Names Used on Any Filings with the Internal Revenue Service During Past Five Years

[Add Information required by Section 1 to the extent required by Section 1(c) of the Perfection Certificate]

Schedule 2

Chief Executive Offices

Loan Party/Subsidiary	Address	County	State

Schedule 3(a)

Real Property

Entity of Record	Common Name and Address	Owned, Leased or Other Interest	Landlord / Owner if Leased or Other Interest	Description of Lease or Other Documents Evidencing Interest	Purpose/ Use	Improvements Located on Real Property	Legal Description	Encumbered or to be Encumbered by Mortgage	Filing Office for Mortgage	Option to Purchase/Right of First Refusal
[]	[]	[]	[]	[]	[]	[]	[SEE EXHIBIT A-[] ATTACHED HERETO]	[YES/NO]	[]	[YES/NO]

Schedule 3(a)

Real Property (cont.)

Required Consents; Loan Party Held Landlord/ Grantor Interests

I. Landlord's / Tenant's Consent Required

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE LANDLORD'S / TENANT'S CONSENT IS REQUIRED].

II. Leases, Subleases, Tenancies, Franchise Agreements, Licenses or Other Occupancy Agreements Pursuant to which any Loan Party holds Landlord's / Grantor's Interest

1. [LIST EACH LEASE OR OTHER INSTRUMENT WHERE ANY LOAN PARTY HOLDS LANDLORD'S / GRANTOR'S INTEREST]

[Schedule 3(b)]

[Bailees]

Exhibit P-1 - 11

Schedule 4

Transactions Other Than in the Ordinary Course of Business

Loan Party/Subsidiary	Description of Transaction Including Parties Thereto	Date of Transaction

Schedule 5(a)

(a) Equity Interests of Loan Parties and Subsidiaries

Current Legal Entities Owned	Record Owner	Certificate No.	No. Shares/Interest	Percent Pledged

(b) Other Equity Interests

Schedule 5(b)

Organizational Chart

Exhibit P-1 - 14

Schedule 6

Instruments and Chattel Paper

1. Promissory Notes:

Entity	Principal Amount	Date of Issuance	Interest Rate	Maturity Date

2. Chattel Paper:

Schedule 7(a)

Copyrights, Patents and Trademarks

UNITED STATES COPYRIGHTS

Registrations:

OWNER	TITLE	REGISTRATION NUMBER
-------	-------	---------------------

Applications:

OWNER	APPLICATION NUMBER
-------	--------------------

OTHER COPYRIGHTS

Registrations:

OWNER	COUNTRY/STATE	TITLE	REGISTRATION NUMBER
-------	---------------	-------	---------------------

Applications:

OWNER	COUNTRY/STATE	APPLICATION NUMBER
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Schedule 7(a)

Copyrights, Patents and Trademarks (cont.)

UNITED STATES PATENTS:

Registrations:

OWNER	REGISTRATION NUMBER	DESCRIPTION
_____	_____	_____

Applications:

OWNER	APPLICATION NUMBER	DESCRIPTION
_____	_____	_____

OTHER PATENTS:

Registrations:

OWNER	REGISTRATION NUMBER	COUNTRY/STATE	DESCRIPTION
_____	_____	_____	_____

Applications:

OWNER	APPLICATION NUMBER	COUNTRY/STATE	DESCRIPTION
_____	_____	_____	_____

Schedule 7(a)

Copyrights, Patents and Trademarks (cont.)

UNITED STATES TRADEMARKS:

Registrations:

OWNER	REGISTRATION NUMBER	TRADEMARK
<hr/>		

Applications:

OWNER	APPLICATION NUMBER	TRADEMARK
<hr/>		

OTHER TRADEMARKS:

Registrations:

OWNER	REGISTRATION NUMBER	COUNTRY/STATE	TRADEMARK
<hr/>			

Applications:

OWNER	APPLICATION NUMBER	COUNTRY/STATE	TRADEMARK
<hr/>			

Schedule 7(b)

Intellectual Property Licenses

LICENSEE	LICENSOR	COUNTRY/STATE	REGISTRATION/ APPLICATION NUMBER, IF ANY	DESCRIPTION
<hr/>				

Schedule 7(c)

Intellectual Property Filings

Exhibit P-1 - 20

Schedule 8

Commercial Tort Claims

Exhibit P-1 - 21

Schedule 9

Deposit Accounts and Securities Accounts

OWNER	TYPE OF ACCOUNT	BANK OR INTERMEDIARY	ACCOUNT NUMBERS
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Exhibit P-1 - 22

Schedule 10

Letter of Credit Rights

Exhibit P-1 - 23

Schedule A-1

Agent's Account

An account at a bank designated by Agent from time to time as the account into which Borrower shall make all payments to Agent for the benefit of the Lender Group and into which the Lender Group shall make all payments to Agent under this Agreement and the other Loan Documents; unless and until Agent notifies Parent and the Lender Group to the contrary, Agent's Account shall be that certain deposit account bearing account number 101573-000 and maintained by Agent with Wilmington Trust, National Association, ABA #031100092, Account Name: Corporate Capital Markets, Reference: Unifi, Inc.

Schedule A-2

Authorized Persons

Ronald L. Smith

Charles F. McCoy

William L. Jasper

R. Roger Berrier

Christopher A. Smosna

Schedule A-2 - 1

Schedule C-1

Commitment

<u>Lender</u>	<u>Term Loan Commitment</u>	<u>Total Commitment</u>
MainStay High Yield Corporate Bond Fund, a series of The MainStay Funds	\$23,000,000	\$23,000,000
MainStay VP High Yield Corporate Bond Portfolio, a series of MainStay VP Funds Trust	\$7,000,000	\$7,000,000

Schedule D-1

Designated Account; Designated Account Bank

Bank of America, N.A. account number 3750346312 during Transition Period.

Wells Fargo Bank, N.A. account to be established and designated by Agent after Transition Period.

Schedule E-2

Existing Letters of Credit

Number	Beneficiary	Issue Date	Expiration Date	Amount
3048412	Travelers Casualty and Surety Company of America	4/24/2002	4/26/2012	\$ 600,000.00
3057334	Pennsylvania Manufacturers' Association Insurance Company	7/8/2003	7/8/2012	75,000.00
3063385	Travelers Indemnity Company	5/28/2004	5/31/2012	500,000.00
68022709	ACE American Insurance Company	1/16/2008	1/31/2013	1,000,000.00
68032459	Texican Horizon Energy Marketing LLC	12/24/2008	12/23/2012	520,000.00
				\$ 2,695,000.00

Schedule F-1

Historical Fixed Charge Amounts

UNIFI, INC.
SCHEDULE F-1
HISTORICAL FIXED CHARGE AMOUNTS
(AMOUNTS IN THOUSANDS)

	June	July	August	September	October	November	December	January	February	March	April	May	TTM
	2011	2011	2011	2011	2011	2011	2011	2012	2012	2012	2012	2012	May
													2012
Cash interest expense	446	446	446	446	446	446	446	446	446	446	446	446	5,352
PP&E term loan - scheduled principal payments	1,800	-	-	1,800	-	-	1,800	-	-	1,800	-	-	7,200
All other funded indebtedness principal payments (excluding revolver)	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Charges	2,246	446	446	2,246	446	446	2,246	446	446	2,246	446	446	12,552

Schedule P-1

Permitted Investments

Current Legal Entities Owned	Record Owner	No. Shares/ Interest
Unifi Holding 1, BV (“UH1”)	Unifi, Inc.	40 shs/100% - Unifi, Inc.
Unifi do Brasil, Ltda.	Unifi, Inc./Unifi Manufacturing, Inc.	99.99% - Unifi, Inc. & .01% - UMI
Unifi Manufacturing, Inc. (“UMI”)	Unifi, Inc.	1000 shs/100% - Unifi, Inc.
Unifi Textured Polyester, LLC	Unifi Manufacturing, Inc.	100% - UMI
Unifi Kinston, LLC	Unifi Manufacturing, Inc.	100% - UMI
Unifi Sales & Distribution, Inc.	Unifi, Inc.	1000 shs/100%-Unifi, Inc.
Unimatrix Americas, LLC	Unifi Manufacturing, Inc.	100%-UMI
Spanco International, Inc. (“SII”)	Unifi Manufacturing, Inc.	2,346,474 shs/ 100% - UMI
Unifi Latin America, S.A.	Spanco International, Inc./Unifi Manufacturing, Inc.	83% - SII & 16% - UMI & 1% Directors
Unifi Equipment Leasing, LLC	Unifi Manufacturing, Inc.	100% - UMI
UnifiYarns Mexico, S de RL de CV	Unifi, Inc./ Unifi Manufacturing, Inc.	99.99% - Unifi, Inc. & .01% UMI
MiCell Technologies, Inc.	Unifi, Inc.	0.7% - Unifi, Inc.
Parkdale America, LLC	Unifi Manufacturing, Inc.	34% - UMI

Schedule P-2

Permitted Liens

Debtor	Secured/Other Party	File Date	File Type	File #
UNIFI, INC	DELL FINANCIAL SERVICES L.L.C.	12/5/2003	Original UCC Filing	200312055570586
UNIFI, INC		7/30/2008	Continuation	200807305856837
UNIFI, INC		10/6/2008	Amendment	200810066103360
UNIFI, INC	DELL FINANCIAL SERVICES L.L.C.	12/16/2003	Original UCC Filing	200312165597713
UNIFI, INC		7/31/2008	Continuation	200807315860042
UNIFI, INC		10/13/2008	Amendment	200810136124840
UNIFI MANUFACTURING, INC.	NORTH AMERICA COMMUNICATIONS RESOURCE, INC.	7/19/2011	Original UCC Filing	20110062688F

Schedule R-1

Real Property Collateral

Closing Date Real Property Collateral:

Corporate Offices
7201 W Friendly Ave.
Greensboro, NC 27410

Yadkinville T5 & POY
1032 Unifi Industrial Rd.
Yadkinville, NC 27055

Madison Plant 3
805 Island Drive
Madison, NC 27025

Other Real Property Collateral:

Yadkinville Main Campus
601 East Main Street
Yadkinville, NC 27055

(Topsider) Warehouse
108 Beroth Street
Yadkinville, NC 27055

Reidsville Plant 4
2920 Vance Street Extension
Reidsville, NC 27320

Decatur Street Warehouse
713 Decatur Street
Madison, NC 27022

Schedule 1.1

As used in the Agreement, the following terms shall have the following definitions:

“Account” means an account (as that term is defined in the Code).

“Account Debtor” means any Person who is obligated on an Account, chattel paper, or a general intangible.

“Accounting Changes” means changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions).

“Acquired Indebtedness” means Indebtedness of a Person whose assets or Equity Interests are acquired by a Loan Party in a Permitted Acquisition; provided, that such Indebtedness (a) is either purchase money Indebtedness or a Capital Lease with respect to Equipment or mortgage financing with respect to Real Property, (b) was in existence prior to the date of such Permitted Acquisition, and (c) was not incurred in connection with, or in contemplation of, such Permitted Acquisition.

“Acquisition” means (a) the purchase or other acquisition by a Person or its Subsidiaries of all or substantially all of the assets of (or any division or business line of) any other Person, or (b) the purchase or other acquisition (whether by means of a merger, consolidation, or otherwise) by a Person or its Subsidiaries of all or substantially all of the Equity Interests of any other Person.

“Additional Documents” has the meaning specified therefor in Section 5.12 of the Agreement.

“Adjusted Net Earnings from Operations” means, with respect to any fiscal period of the Loan Parties, net income of the Loan Parties on a Consolidated Basis after provision for income taxes for such fiscal period, as determined in accordance with GAAP and reported on the financial statements delivered for such period in accordance with Section 5.1 of the Agreement, excluding any and all of the following included in such net income, without duplication: (a) gain or loss arising from the sale of any capital assets; (b) gain arising from any write up in the book value of any asset; (c) earnings of any Person, substantially all the assets of which have been acquired by any of the Loan Parties in any manner, to the extent realized by such other Person prior to the date of acquisition; (d) earnings of any Person in which any of the Loan Parties have an Equity Interest, unless (and only to the extent) such earnings shall actually have been received by any of the Loan Parties after the Closing Date in the form of cash distributions; (e) earnings of any Person who is not a Borrower to which assets of any of the Loan Parties shall have been sold, transferred or disposed of, or into which any of the Loan Parties shall have been merged, or which has been a party with any of the Loan Parties to any consolidation or other form of reorganization, prior to the date of such transaction; (f) gain arising from the acquisition of debt or equity securities of any of the Loan Parties or from cancellation or forgiveness of Indebtedness; and (g) non-cash gain or loss arising from extraordinary items, as determined in accordance with GAAP.

“Administrative Questionnaire” has the meaning specified therefor in Section 13.1(a).

“Affected Lender” has the meaning specified therefor in Section 2.13(b).

“Affiliate” means, as applied to any Person, any other Person who controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” means the possession, directly or indirectly through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of Equity Interests, by contract, or otherwise; provided, that, for purposes of the definition of Eligible Accounts and Section 6.10 of the Agreement: (a) any Person which owns directly or indirectly 10% or more of the Equity Interests having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person, (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person, and (c) each partnership in which a Person is a general partner shall be deemed an Affiliate of such Person.

“Agent” has the meaning specified therefor in the preamble to the Agreement.

“Agent-Related Persons” means Agent, together with its Affiliates, officers, directors, employees, attorneys, and agents.

“Agent’s Account” means the Deposit Account of Agent identified on Schedule A-1 (or such other Deposit Account of Agent that has been designated as such, in writing, by Agent to Parent and the Lenders).

“Agent’s Liens” means the Liens granted by the Loan Parties to Agent under the Loan Documents and securing the Obligations.

“Agreement” means the Credit Agreement to which this Schedule 1.1 is attached.

“Application Event” means the occurrence of (a) a failure by Borrowers to repay all of the Obligations in full on the Maturity Date or any earlier date upon which the Obligations become due and payable in full, or (b) an Event of Default and the election by Agent or the Required Lenders to require that payments and proceeds of Collateral be applied pursuant to Section 2.3(b)(ii) of the Agreement.

“Assignee” has the meaning specified therefor in Section 13.1(a) of the Agreement.

“Assignment and Acceptance” means an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1 to the Agreement.

“Authorized Person” means any one of the individuals identified on Schedule A-2 to the Agreement, as such schedule is updated from time to time by written notice from Parent to Agent.

“Bank Product” means any one or more of the following financial products or accommodations: (a) credit cards (including commercial credit cards (including so-called “procurement cards” or “P-cards”)), (b) credit card processing services, (c) debit cards, (d) stored value cards, (e) Cash Management Services, or (f) transactions under Hedge Agreements.

“Bankruptcy Code” means title 11 of the United States Code, as in effect from time to time.

“Benefit Plan” means any “employee pension benefit plan” (within the meaning of Section 3(2) of ERISA) that is maintained or is contributed to within the past six years by any Loan Party or any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412, 430, 431 or 432 of the Code.

“Biomass Business” means (a) the business of cultivating, growing and selling biomass crops, including feedstock for establishing biomass crops, that are intended to be used as a fuel or in the production of polymers, fuels or energy, (b) the business of providing value-added processes relating to the cultivation, harvest or use of biomass crops as a fuel or in the production of polymers, fuels or energy, and (c) such other business activities or opportunities that are the same, similar, ancillary or reasonably related to the foregoing.

“Board of Directors” means, as to any Person, the board of directors (or comparable managers) of such Person, or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

“Board of Governors” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrowers” has the meaning specified therefor in the preamble to the Agreement.

“Borrower Materials” has the meaning specified therefor in Section 17.9(c) of the Agreement.

“Business Day” means any day that is not a Saturday, Sunday, or other day on which banks are authorized or required to close in the states of Georgia or New York, except that the term “Business Day” also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

“Call Premium” has the meaning specified therefor in Section 2.3(g) of this Agreement.

“Capital Expenditures” means, with respect to the Loan Parties for any period, the amount of all expenditures by the Loan Parties during such period that are capital expenditures as determined in accordance with GAAP, whether such expenditures are paid in cash or financed, but excluding, without duplication (a) expenditures made during such period in connection with the replacement, substitution, or restoration of assets or properties pursuant to Section 2.3(e)(ii) of the Agreement, (b) with respect to the purchase price of assets that are purchased substantially contemporaneously with the trade-in of existing assets during such period, the amount that the gross amount of such purchase price is reduced by the credit granted by the seller of such assets for the assets being traded in at such time, (c) expenditures made during such period to consummate one or more Permitted Acquisitions, and (d) expenditures during such period that, pursuant to a written agreement, are reimbursed by a third Person (excluding Parent or any of its Subsidiaries).

“Capitalized Lease Obligation” means that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP.

“Capital Lease” means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“Cash Equivalents” means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor’s Rating Group (“S&P”) or Moody’s Investors Service, Inc. (“Moody’s”), (c) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody’s, (d) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state thereof or the District of Columbia or any United States branch of a foreign bank having at the date of acquisition thereof combined capital and surplus of not less than \$1,000,000,000, (e) Deposit Accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than \$1,000,000,000, having a term of not more than seven days, with respect to securities satisfying the criteria in clauses (a) or (d) above, (g) debt securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the criteria described in clause (d) above, and (h) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (g) above.

“Cash Management Services” means any cash management or related services including treasury, depository, return items, overdraft, controlled disbursement, merchant store value cards, e-payables services, electronic funds transfer, interstate depository network, automatic clearing house transfer (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) and other customary cash management arrangements.

“Change of Control” means that:

(a) any Person or two or more Persons acting in concert shall have acquired beneficial ownership, directly or indirectly, of Equity Interests of Parent (or other securities convertible into such Equity Interests) representing 30% or more of the combined voting power of all Equity Interests of Parent entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Board of Directors of Parent;

(b) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Parent or control over the Equity Interests of such Person entitled to vote for members of the Board of Directors of Parent on a fully-diluted basis (and taking into account all such Equity Interests that such Person or group has the right to acquire pursuant to any option right) representing 30% or more of the combined voting power of such Equity Interests; or

(c) during any period of 24 consecutive months commencing on or after the Closing Date, the occurrence of a change in the composition of the Board of Directors of Parent such that a majority of the members of such Board of Directors are not Continuing Directors;

(d) Parent fails to own and control, directly or indirectly, 100% of the Equity Interests of each other Loan Party; or

(e) the occurrence of any Change of Control as defined in the First Lien Loan Agreement.

“Claim” has the meaning specified therefor in Section 12(c) of this Agreement.

“Closing Date” means the date of the making of the Term Loans under the Agreement.

“Closing Date Real Property Collateral” means each parcel of Real Property Collateral that is identified on Schedule R-1 to the Agreement as “Closing Date Real Property Collateral”.

“Code” means the New York Uniform Commercial Code, as in effect from time to time.

“Collateral” means all assets and interests in assets and proceeds thereof now owned or hereafter acquired by any Loan Party in or upon which a Lien is granted by such Loan Party in favor of Agent or the Lenders under any of the Loan Documents.

“Commitment” means, with respect to each Lender, its Term Loan Commitment, and, with respect to all Lenders, their Term Loan Commitments.

“Compliance Certificate” means a certificate substantially in the form of Exhibit C-1 to the Agreement delivered by the chief financial officer of Parent to Agent.

“Confidential Information” has the meaning specified therefor in Section 17.9(a) of the Agreement.

“Consolidated Basis” means on a consolidated basis for the Loan Parties without inclusion of any Subsidiary of Parent that is not a Loan Party.

“Continuing Director” means (a) any member of the Board of Directors who was a director (or comparable manager) of Parent on the Closing Date, and (b) any individual who becomes a member of the Board of Directors of Parent after the Closing Date if such individual was approved, appointed or nominated for election to the Board of Directors of Parent by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors of Parent in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Parent and whose initial assumption of office resulted from such contest or the settlement thereof.

“Control Agreement” means a control agreement, in form and substance reasonably satisfactory to Agent, executed and delivered by a Loan Party, Agent, and the applicable securities intermediary (with respect to a Securities Account) or bank (with respect to a Deposit Account).

“Copyright Security Agreement” has the meaning specified therefor in the Guaranty and Security Agreement.

“Court” has the meaning specified therefor in Section 12(f) of this Agreement.

“Default” means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

“Deposit Account” means any deposit account (as that term is defined in the Code).

“Designated Account” means the Deposit Account of Parent identified on Schedule D-1 to the Agreement (or such other Deposit Account of Parent located at Designated Account Bank that has been designated as such, in writing, by Parent to Agent).

“Designated Account Bank” has the meaning specified therefor in Schedule D-1 to the Agreement (or such other bank that is located within the United States that has been designated as such, in writing, by Parent to Agent).

“Disqualified Equity Interests” shall mean any Equity Interest that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and payable and the termination of the Commitments), (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 180 days after the Maturity Date.

“Dollars” or “\$” means United States dollars.

“Domestic Subsidiary” means any Subsidiary of Parent that is incorporated, formed or registered in the United States (or any state thereof) and whose principal place of business or headquarters is in the United States, other than any such Subsidiary that is directly controlled by a Foreign Subsidiary.

“EBITDA” means, with respect to any fiscal period of the Loan Parties, on a Consolidated Basis, Adjusted Net Earnings from Operations, with the following adjustments, without duplication: plus, to the extent deducted in the determination of Adjusted Net Earnings from Operations for that fiscal period, Interest Expense, Federal, state, local and foreign income taxes, depreciation, amortization and other non-cash charges (excluding the effect of non-cash income or loss from any Person (other than the Loan Parties) in which any of the Loan Parties have an Equity Interest, but including non-cash accruals from any such Person until they are paid as cash charges), and minus, non-cash income. Unless otherwise specified herein, the applicable period of computation shall be for the 12 consecutive fiscal months ending as of the date of determination.

“Eligible Transferee” means (a) any Lender, any Affiliate of any Lender and any Related Fund of any Lender; and (b) (i) a commercial bank organized under the laws of the United States or any state thereof, and having total assets in excess of \$500,000,000; (ii) a savings and loan association or savings bank organized under the laws of the United States or any state thereof, and having total assets in excess of \$500,000,000; or (iii) a commercial bank organized under the laws of any other country or a political subdivision thereof, provided that (A) (x) such bank is acting through a branch or agency located in the United States or (y) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country, and (B) such bank has total assets in excess of \$500,000,000; (c) any other entity (other than a natural person) that is an “accredited investor” (as defined in Regulation D under the Securities Act) that extends credit or buys loans as one of its businesses, including, without limitation, insurance companies, investment or mutual funds and lease financing companies, and having total assets (together with its Affiliates and Related Funds) in excess of \$100,000,000; and (d) during the continuation of an Event of Default, any other Person approved by Agent.

“Environmental Action” means any written complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other written communication from any Governmental Authority, or any third party involving violations of Environmental Laws or releases of Hazardous Materials (a) from any assets, properties, or businesses of any Loan Party or any of their predecessors in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by any Loan Party or any of their predecessors in interest.

“Environmental Law” means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy, or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, in each case, to the extent binding on any Loan Party, relating to the environment, the effect of the environment on employee health, or Hazardous Materials, in each case as amended from time to time.

“Environmental Liabilities” means all liabilities, monetary obligations, losses, damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, or Remedial Action required, by any Governmental Authority or any third party, and which relate to any Environmental Action.

“Environmental Lien” means any Lien in favor of any Governmental Authority for Environmental Liabilities.

“Equipment” means equipment (as that term is defined in the Code).

“Equity Interest” means, with respect to a Person, all of the shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in such Person, whether voting or nonvoting, including capital stock (or other ownership or profit interests or units), preferred stock, or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

“ERISA Affiliate” means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of any Loan Party under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of any Loan Party under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which any Loan Party is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with any Loan Party and whose employees are aggregated with the employees of any Loan Party under IRC Section 414(o).

“Event of Default” has the meaning specified therefor in Section 8 of the Agreement.

“Excess Casualty/Condemnation Proceeds” means, (a) in the case of any casualty loss or condemnation with respect to any item of Eligible M&E (as defined in the Initial First Lien Loan Agreement) or improvement to any parcel of Eligible Real Property (as defined in the Initial First Lien Loan Agreement), the remainder (if any) of (i) the Net Cash Proceeds applicable to such item of Eligible M&E or improvement to any parcel of Eligible Real Property, minus (ii) in the case of (A) any item of Eligible M&E, 85% of the appraised net orderly liquidation value of such item, as reflected in the most recent appraisal received by Agent with respect thereto, and (B) any improvement to any parcel of Eligible Real Property, 50% of the appraised fair market value of such improvement, as reflected in the most recent appraisal received by Agent with respect thereto, and (b) in the case of any casualty loss or condemnation with respect to any other item of Equipment or improvement to any other parcel of Real Property, the Net Cash Proceeds applicable thereto.

“Exchange Act” means the Securities Exchange Act of 1934, as in effect from time to time.

“Excluded Subsidiaries” means Unifi Kinston, Unimatrix Americas and Unifi Textured Polyester.

“Excluded Taxes” means (i) any tax imposed on the net income or net profits of any Lender or any Participant (including any branch profits taxes), in each case imposed by the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender or such Participant is organized or the jurisdiction (or by any political subdivision or taxing authority thereof) in which such Lender’s or such Participant’s principal office is located in each case as a result of a present or former connection between such Lender or such Participant and the jurisdiction or taxing authority imposing the tax (other than any such connection arising solely from such Lender or such Participant having executed, delivered or performed its obligations or received payment under, or enforced its rights or remedies under the Agreement or any other Loan Document); (ii) taxes resulting from a Lender’s or a Participant’s failure to comply with the requirements of Section 16.2 of the Agreement, and (iii) any United States federal withholding taxes that would be imposed on amounts payable to a Foreign Lender based upon the applicable withholding rate in effect at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), except that Taxes shall include (A) any amount that such Foreign Lender (or its assignor, if any) was previously entitled to receive pursuant to Section 16.1 of the Agreement, if any, with respect to such withholding tax at the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), and (B) additional United States federal withholding taxes that may be imposed after the time such Foreign Lender becomes a party to the Agreement (or designates a new lending office), as a result of a change in law, rule, regulation, order or other decision with respect to any of the foregoing by any Governmental Authority.

“Existing Agent” means Bank of America, N.A., as agent under the Existing Credit Facility.

“Existing Credit Facility” means Borrowers’ existing senior credit facility with the Existing Agent and the lenders party thereto.

“Existing Notes Facility” means Borrowers’ existing senior secured notes facility, as evidenced by the Indenture.

“Extraordinary Receipts” means (a) so long as no Event of Default has occurred and is continuing, proceeds of judgments, proceeds of settlements, or other consideration of any kind received in connection with any cause of action or legal claim (including any cause of action or claim pursued through arbitration or mediation), and (b) if an Event of Default has occurred and is continuing, any payments received by any Loan Party not in the ordinary course of business (and not consisting of proceeds described in Section 2.3(e)(i), (ii) or (iii) of the Agreement) consisting of (i) proceeds of judgments, proceeds of settlements, or other consideration of any kind received in connection with any cause of action or claim legal claim (including any cause of action or claim pursued through arbitration or mediation), (ii) indemnity payments (other than to the extent such indemnity payments are immediately payable to a Person that is not an Affiliate of the Loan Parties, and (iii) any purchase price adjustment received in connection with any purchase agreement.

“Fee Letter” means that certain fee letter, dated May 24, 2012, between Parent and Agent, in form and substance reasonably satisfactory to Agent.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal to, for each day during such period, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal funds brokers of recognized standing selected by it.

“First Lien Loan Agreement” means the Initial First Lien Loan Agreement, as amended, supplemented or otherwise modified from time to time in accordance with the Intercreditor Agreement.

“First Lien Loan Documents” means, collectively, the First Lien Loan Agreement, the “Loan Documents” as defined therein and all other material agreements, instruments and documents executed or delivered in connection therewith.

“First Lien Loan Indebtedness” means Indebtedness incurred by Borrowers in accordance with the terms of the First Lien Loan Agreement.

“Fixed Charges” means, with respect to any fiscal period of the Loan Parties on a Consolidated Basis, without duplication, the sum of (a) cash Interest Expense plus (b) scheduled principal payments on the Term Loan plus (c) all principal payments (whether scheduled or not) on other Funded Indebtedness (excluding, however, principal payments on the Revolving Loans), as determined in accordance with GAAP; provided, that, notwithstanding the foregoing, the amount of Fixed Charges for each fiscal month ending on or prior to May 27, 2012 shall mean the amount set forth for such fiscal month on Schedule F-1 to the Agreement.

“Fixed Charge Coverage Ratio” means, with respect to any fiscal period of the Loan Parties, the ratio of (a) EBITDA, minus Capital Expenditures made by the Loan Parties, plus, to the extent not included in the calculation of Adjusted Net Earnings from Operations, cash payments received after the Closing Date from Persons in which any of the Loan Parties have an Equity Interest, minus cash payments made by any of the Loan Parties to Persons in which any of the Loan Parties have an Equity Interest, minus Restricted Payments made by any of the Loan Parties, minus Restricted Investments, minus cash taxes paid, to (b) Fixed Charges, in each case as calculated on a Consolidated Basis. Unless otherwise specified herein, the applicable period of computation shall be for the 12 consecutive fiscal months ending as of the date of determination.

“Flow of Funds Agreement” means a flow of funds agreement or disbursement letter, dated as of even date herewith, in form and substance reasonably satisfactory to Agent, executed and delivered by Parent, Agent and First Lien Agent.

“Foreign Lender” means any Lender or Participant that is not a United States person within the meaning of IRC section 7701(a)(30).

“Foreign Subsidiary” means any Subsidiary of Parent other than a Domestic Subsidiary.

“Funded Indebtedness” means, as of any date of determination, all Indebtedness for borrowed money or letters of credit of any Loan Party, determined on a Consolidated Basis in accordance with GAAP, that by its terms matures more than one year after the date of determination, and any such Indebtedness maturing within one year from such date that is renewable or extendable at the option of any Loan Party to a date more than one year from such date, including, in any event, but without duplication, with respect to the Loan Parties, the Term Loan, the First Lien Loan Indebtedness (including “Revolver Usage” as defined therein), and the amount of their Capitalized Lease Obligations.

“Funding Date” means the date on which the Loan is funded.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States, applied on a basis consistent with the Loan Parties’ most recent audited financial statements delivered to Agent prior to the Closing Date.

“Governing Documents” means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

“Governmental Authority” means any federal, state, local, or other governmental or administrative body, instrumentality, board, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

“Guarantor” means each Domestic Subsidiary of Parent (a) as of the Closing Date, other than any Excluded Subsidiary, or (b) that becomes a guarantor after the Closing Date pursuant to Section 5.11 of the Agreement.

“Guaranty and Security Agreement” means a guaranty and security agreement, dated as of even date with the Agreement, in form and substance reasonably satisfactory to Agent and the Lenders, executed and delivered by each Loan Party to Agent.

“Hazardous Materials” means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as “hazardous substances,” “hazardous materials,” “hazardous wastes,” “toxic substances,” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or “EP toxicity”, (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

“Hedge Agreement” means a “swap agreement” as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

“Indebtedness” as to any Person means (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, or other financial products, (c) all obligations of such Person as a lessee under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of such Person, irrespective of whether such obligation or liability is assumed, (e) all obligations of such Person to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices and, for the avoidance of doubt, other than royalty payments payable in the ordinary course of business in respect of non-exclusive licenses), (f) all monetary obligations of such Person owing under Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Person if the Hedge Agreement were terminated on the date of determination), (g) any Disqualified Equity Interests of such Person, and (h) any obligation of such Person guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Indebtedness under any of clauses (a) through (g) above. For purposes of this definition, (i) the amount of any Indebtedness represented by a guaranty or other similar instrument shall be the lesser of the principal amount of the obligations guaranteed and still outstanding and the maximum amount for which the guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Indebtedness, and (ii) the amount of any Indebtedness which is limited or is non-recourse to a Person or for which recourse is limited to an identified asset shall be valued at the lesser of (A) if applicable, the limited amount of such obligations, and (B) if applicable, the fair market value of such assets securing such obligation.

“Indemnified Liabilities” has the meaning specified therefor in Section 10.3 of the Agreement.

“Indemnified Person” has the meaning specified therefor in Section 10.3 of the Agreement.

“Indemnified Taxes” means, any Taxes other than Excluded Taxes.

“Indenture” means the Indenture dated as of May 26, 2006, among Parent, certain of its Subsidiaries party thereto as guarantors, and the Indenture Trustee, with respect to Parent’s 11.5% senior secured notes due 2014, as amended, modified and supplemented prior to the Closing Date.

“Indenture Trustee” means U.S. Bank, National Association, as trustee under the Indenture.

“Initial First Lien Loan Agreement” shall have the meaning set forth in the recitals.

“Insolvency Proceeding” means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

“Intercompany Subordination Agreement” means, in connection with any Permitted Intercompany Advances made by any Subsidiary of Parent that is not a Loan Party to a Loan Party, an intercompany subordination agreement executed and delivered by such Subsidiary, such Loan Party and Agent, the form and substance of which is reasonably satisfactory to Agent.

“Intercreditor Agreement” means that certain Intercreditor Agreement, dated as of even date herewith between Agent and Wells Fargo, as amended in accordance with the terms thereof.

“Interest Expense” means, for any period, the aggregate of the interest expense of the Loan Parties for such period, determined on a Consolidated Basis in accordance with GAAP.

“Inventory” means inventory (as that term is defined in the Code).

“Investment” means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) *bona fide* accounts receivable arising in the ordinary course of business), or acquisitions of Indebtedness, Equity Interests, or all or substantially all of the assets of such other Person (or of any division or business line of such other Person), and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto, without any adjustment for increases or decreases in value, or write-ups, write-downs, or write-offs with respect to such Investment.

“IRC” means the Internal Revenue Code of 1986, as in effect from time to time.

“Lender” has the meaning specified therefor in the preamble to the Agreement, and shall also include any other Person made a party to the Agreement pursuant to the provisions of Section 13.1 of the Agreement and “Lenders” means each of the Lenders or any one or more of them.

“Lender Group” means each of the Lenders and Agent, or any one or more of them.

“Lender Group Expenses” means all (a) costs or expenses (including taxes and insurance premiums) required to be paid by the Loan Parties under any of the Loan Documents that are paid, advanced, or incurred by the Lender Group, (b) documented out-of-pocket fees or charges paid or incurred by Agent in connection with the Lender Group’s transactions with the Loan Parties under any of the Loan Documents, including, fees or charges for background checks, OFAC/PEP searches, photocopying, notarization, couriers and messengers, telecommunication, public record searches, filing fees, recording fees, publication, appraisal (including periodic collateral appraisals or business valuations to the extent of the fees and charges (and up to the amount of any limitation) contained in the Agreement or the Fee Letter), real estate surveys, real estate title policies and endorsements, and environmental audits, (c) Agent’s customary fees and charges (as adjusted from time to time) with respect to the disbursement of funds (or the receipt of funds) to or for the account of Borrowers (whether by wire transfer or otherwise) or with respect to the consummation and administration of the transactions contemplated hereby, together with any out-of-pocket costs and expenses incurred in connection therewith, (d) customary charges imposed or incurred by Agent resulting from the dishonor of checks payable by or to any Loan Party, (e) reasonable documented out-of-pocket costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or during the continuance of an Event of Default, in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (f) field examination, appraisal, and valuation fees and expenses of Agent related to any field examinations, appraisals, or valuation, (g) Agent’s reasonable costs and expenses (including reasonable documented attorneys fees and expenses) relative to third party claims or any other lawsuit or adverse proceeding paid or incurred, whether in enforcing or defending the Loan Documents or otherwise in connection with the transactions contemplated by the Loan Documents, Agent’s Liens in and to the Collateral, or the Lender Group’s relationship with the Loan Parties, (h) Agent’s and each Lender’s reasonable documented costs and expenses (including reasonable documented attorneys fees and due diligence expenses) incurred in advising, structuring, drafting, reviewing, administering (including travel, meals, and lodging), syndicating (including reasonable costs and expenses relative to the rating of the Term Loan, CUSIP, DXSyndicate™, SyndTrak or other communication costs incurred in connection with a syndication of the loan facilities), or amending, waiving, or modifying the Loan Documents, (i) Agent’s and each Lender’s reasonable documented costs and expenses (including reasonable documented attorneys, accountants, consultants, and other advisors fees and expenses) incurred in terminating, enforcing (including attorneys, accountants, consultants, and other advisors fees and expenses incurred in connection with a “workout,” a “restructuring,” or an Insolvency Proceeding concerning the Loan Parties or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether a lawsuit or other adverse proceeding is brought, or in taking any enforcement action or any Remedial Action with respect to the Collateral and (j) expenses incurred by the Lenders that Lenders, in their sole discretion, deem necessary or desirable (1) to preserve or protect the Collateral, or any portion thereof, or (2) to enhance the likelihood of repayment of the Obligations; provided, however, if the Lenders desire to incur such expense in relation to any Collateral which is secured by a prior Lien securing the First Lien Indebtedness, such expense shall only be deemed a Lender Group Expense if incurred with the prior written consent of the First Lien Agent.

“Lender Group Representatives” has the meaning specified therefor in Section 17.9 of the Agreement.

“Lender-Related Person” means, with respect to any Lender, such Lender, together with such Lender’s Affiliates and Related Funds, officers, directors, employees, attorneys, and agents.

“LIBOR Rate” means, for any one-month period, the greater of (i) the rate per annum rate appearing on Macro*World’s (www.mworld.com; the “Service”) Page BBA LIBOR - USD (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) on the first day of such 1-month period, for a 1-month loan term, in the amount of the Term Loan, which determination shall be made by Agent and shall be conclusive in the absence of manifest error and (ii) one hundred and twenty-five basis points (1.25%) per annum.

“LIBOR Rate Loan” means each portion of a Term Loan that bears interest at a rate determined by reference to the LIBOR Rate.

“LIBOR Rate Term Loan Margin” means seven hundred and fifty basis points (7.50%) per annum.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

“Loan” shall mean any Term Loan made hereunder.

“Loan Account” has the meaning specified therefor in Section 2.8 of the Agreement.

“Loan Documents” means the Agreement, the Control Agreements, the Copyright Security Agreement, the Fee Letter, the Guaranty and Security Agreement, the Intercompany Subordination Agreement, the Intercreditor Agreement, the Mortgages, the Patent Security Agreement, the Trademark Security Agreement, any note or notes executed by Borrowers in connection with the Agreement and payable to any member of the Lender Group, and any other instrument or agreement entered into, now or in the future, by any Loan Party and any member of the Lender Group in connection with the Agreement.

“Loan Party” means any Borrower or Guarantor, and “Loan Parties” means, collectively, all Borrowers and Guarantors.

“Margin Stock” as defined in Regulation U of the Board of Governors as in effect from time to time.

“Material Adverse Effect” means (a) a material adverse effect in the business, operations, results of operations, assets, liabilities or financial condition of the Loan Parties, taken as a whole, (b) a material impairment of the Loan Parties’ ability to perform their obligations under the Loan Documents to which they are parties or of the Lender Group’s ability to enforce the Obligations or realize upon the Collateral (other than as a result of as a result of an action taken or not taken that is solely in the control of Agent), or (c) a material impairment of the enforceability or priority of Agent’s Liens with respect to all or a material portion of the Collateral as a result of an action or failure to act on the part of any Loan Party.

“Maturity Date” means May 24, 2017.

“Moody’s” has the meaning specified therefor in the definition of Cash Equivalents.

“Mortgage Policy” means, in the case of any parcel of Real Property Collateral, a mortgagee title insurance policy (or marked commitment to issue the same) issued by Fidelity National Title Insurance Company or another title insurance company reasonably acceptable to Agent, in each case in form and substance reasonably satisfactory to Agent.

“Mortgages” means, individually and collectively, one or more mortgages, deeds of trust, or deeds to secure debt, executed and delivered by the Loan Parties in favor of Agent, in form and substance reasonably satisfactory to Agent, that encumber the Real Property Collateral.

“Net Cash Proceeds” means:

(a) with respect to any sale or disposition by any Loan Party of assets, the amount of cash proceeds received (directly or indirectly) from time to time (whether as initial consideration or through the payment of deferred consideration) by or on behalf of any Loan Party in connection therewith after deducting therefrom only (i) the amount of any Indebtedness secured by any Permitted Lien on any asset (other than (A) Indebtedness owing to Agent or any Lender under the Agreement or the other Loan Documents and (B) Indebtedness assumed by the purchaser of such asset) which is required to be, and is, repaid in connection with such sale or disposition, (ii) reasonable fees, commissions, and expenses related thereto and required to be paid by any Loan Party in connection with such sale or disposition, (iii) taxes paid or payable to any taxing authorities by any Loan Party in connection with such sale or disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of any Loan Party, and are properly attributable to such transaction; and (iv) all amounts that are set aside as a reserve (A) for adjustments in respect of the purchase price of such assets, (B) for any liabilities associated with such sale or casualty, to the extent such reserve is required by GAAP, and (C) for the payment of unassumed liabilities relating to the assets sold or otherwise disposed of at the time of, or within 30 days after, the date of such sale or other disposition, to the extent that in each case the funds described above in this clause (iv) are (x) deposited into escrow with a third party escrow agent or set aside in a separate Deposit Account that is subject to a Control Agreement in favor of Agent and (y) paid to Agent as a prepayment of the applicable Obligations in accordance with Section 2.3(e) of the Agreement at such time when such amounts are no longer required to be set aside as such a reserve;

(b) with respect to the receipt by Unifi Manufacturing of distributions from the Parkdale JV, the aggregate amount of cash received (directly or indirectly) by or on behalf of Unifi Manufacturing in connection with such distribution; and

(c) with respect to the issuance or incurrence of any Indebtedness by any Loan Party, or the issuance by any Loan Party of any Equity Interests, the aggregate amount of cash received (directly or indirectly) from time to time (whether as initial consideration or through the payment or disposition of deferred consideration) by or on behalf of any Loan Party in connection with such issuance or incurrence, after deducting therefrom only (i) reasonable fees, commissions, and expenses related thereto and required to be paid by any Loan Party in connection with such issuance or incurrence, and (ii) taxes paid or payable to any taxing authorities by any Loan Party in connection with such issuance or incurrence, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid or payable to a Person that is not an Affiliate of any Loan Party, and are properly attributable to such transaction..

“Non-Consenting Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Obligations” means all loans, debts, principal, interest (including any interest that accrues after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), premiums (including, without limitation, premiums due under Section 2.3(g)), liabilities (including all amounts charged to the Loan Account pursuant to the Agreement), obligations (including indemnification obligations), fees (including the fees provided for in the Fee Letter), Lender Group Expenses (including any fees or expenses that accrue after the commencement of an Insolvency Proceeding, regardless of whether allowed or allowable in whole or in part as a claim in any such Insolvency Proceeding), guaranties, and all covenants and duties of any other kind and description owing by any Loan Party arising out of, under, pursuant to, in connection with, or evidenced by the Agreement or any of the other Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all other expenses or other amounts that Borrowers are required to pay or reimburse by the Loan Documents or by law or otherwise in connection with the Loan Documents. For the avoidance of doubt, Obligations shall not include any obligations arising with respect to any Bank Products unless such Bank Products are being provided by the Agent or any Lender. Without limiting the generality of the foregoing, the Obligations of Borrowers under the Loan Documents include the obligation to pay (i) the principal of the Term Loan, (ii) interest accrued on the Term Loan, (iii) Lender Group Expenses, (iv) fees payable under the Agreement or any of the other Loan Documents, and (v) indemnities and other amounts payable by any Loan Party under any Loan Document. Any reference in the Agreement or in the Loan Documents to the Obligations shall include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to any Insolvency Proceeding.

“OFAC” means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

“Originating Lender” has the meaning specified therefor in Section 13.1(e) of the Agreement.

“Parent” has the meaning specified therefor in the preamble to the Agreement.

“Parkdale JV” means Parkdale America, LLC, a North Carolina limited liability company.

“Parkdale JV Interests Collateral” means the Equity Interests of the Parkdale JV that are owned by Unifi Manufacturing.

“Parkdale JV Tax Distribution” means any distribution by Parkdale JV to Unifi Manufacturing, in the amount equal to the taxable income of Parkdale JV (in respect of Unifi Manufacturing’s ownership of Equity Interests in Parkdale JV) for the applicable period multiplied by the combined federal and state tax rate as determined by Parkdale JV, but only to the extent, that the amounts so distributed are, at the time of receipt of such amounts, actually paid or payable to Unifi Manufacturing and are properly attributable to Unifi Manufacturing’s ownership of Equity Interests in Parkdale JV.

“Parkdale Proceeds Deposit” has the meaning specified therefore in Section 5.15(b).

“Participant” has the meaning specified therefor in Section 13.1(e) of the Agreement.

“Participant Register” has the meaning specified therefor in Section 13.1(i) of the Agreement.

“Patent Security Agreement” has the meaning specified therefor in the Guaranty and Security Agreement.

“Patriot Act” has the meaning specified therefor in Section 4.13 of the Agreement.

“Perfection Certificate” means a certificate in the form of Exhibit P-1.

“Permitted Acquisition” means any Acquisition so long as:

(a) no Default or Event of Default shall have occurred and be continuing or would result from the consummation of the proposed Acquisition, and the proposed Acquisition is consensual,

(b) no Indebtedness will be incurred, assumed, or would exist with respect to any Loan Party as a result of such Acquisition, other than Indebtedness permitted under clauses (a), (f) or (g) of the definition of Permitted Indebtedness, and no Liens will be incurred, assumed, or would exist with respect to the assets of any Loan Party as a result or such Acquisition other than Permitted Liens,

(c) such Acquisition complies with the requirements set forth in the definition of Restricted Investment, and

(d) the subject assets or Equity Interests, as applicable, are being acquired directly by a Loan Party, and, in connection therewith, the applicable Loan Party shall have complied with Section 5.11 or 5.12 of the Agreement, as applicable.

“Permitted Dispositions” means:

(a) provided no Event of Default exists or would result therefrom, sales, abandonment, or other dispositions of Equipment that is substantially worn, damaged, or obsolete or no longer used or useful in the ordinary course of business and sales, leases or subleases of Real Property not used or useful in the conduct of the business of the Loan Parties,

(b) sales of Inventory to buyers in the ordinary course of business,

(c) the use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of the Agreement or the other Loan Documents,

(d) the licensing, on a non-exclusive basis (or on an exclusive basis, if such relates solely to an immaterial portion of the Loan Parties’ assets), of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

- (e) the granting of Permitted Liens,
- (f) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof,
- (g) any involuntary loss, damage or destruction of property,
- (h) any involuntary condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, or confiscation or requisition of use of property,
- (i) the leasing or subleasing of assets of any Loan Party in the ordinary course of business,
- (j) the sale or issuance of Equity Interests (other than Disqualified Equity Interests) of Parent,
- (k) (i) the lapse of registered patents, trademarks, copyrights and other intellectual property of any Loan Party to the extent not economically desirable in the conduct of their business or (ii) the abandonment of patents, trademarks, copyrights, or other intellectual property rights in the ordinary course of business so long as (in each case under clauses (i) and (ii)), (A) with respect to copyrights, such copyrights are not material revenue generating copyrights, and (B) such lapse is not materially adverse to the interests of the Lender Group,
- (l) the making of Restricted Payments that are expressly permitted to be made pursuant to the Agreement,
- (m) the making of Permitted Investments,
- (n) so long as no Event of Default has occurred and is continuing or would immediately result therefrom, transfers of assets (i) from any Borrower to another Borrower, or (ii) from any Guarantor to another Guarantor or a Borrower,
- (o) the sale or other disposition of 100% of the Equity Interests of any Excluded Subsidiary, and
- (p) provided no Event of Default exists or would result therefrom, sales or dispositions of assets (other than Accounts, Inventory, and Equity Interests of Subsidiaries of Parent) not otherwise permitted in clauses (a) through (o) above so long as the aggregate fair market value of all assets disposed of under this clause (p) (including the proposed disposition, but excluding any disposition with respect to which Borrowers have prepaid the Obligations in accordance with the requirements of Section 2.3(e) of the Agreement) during any fiscal year would not exceed \$500,000.

“Permitted First Lien Agent Liens” means Liens granted by the Loan Parties in favor of the First Lien Agent in the Collateral as security for the First Lien Loan Indebtedness, provided that such Liens shall at all times be subject to the terms of the Intercreditor Agreement, shall not secure any Indebtedness or obligations other than the First Lien Loan Indebtedness, and shall, with respect to the Parkdale JV Interests Collateral only, be junior to the Liens securing the Obligations hereunder.

“Permitted First Lien Prepayments” means (a) mandatory prepayments of the First Lien Loan Indebtedness made in accordance with the terms of the First Lien Loan Agreement and the Intercreditor Agreement; (b) voluntary prepayments of revolving Loans under the First Lien Loan Indebtedness; and (c) voluntary prepayments of term loans under the First Lien Loan Indebtedness so long as (i) no Default or Event of Default shall have occurred and be continuing or would result from such voluntary prepayment and (ii) on or prior to the date of each such voluntary prepayment, Borrowers shall have delivered to Agent an officer’s certificate from an Authorized Person as to the satisfaction of all conditions set forth above.

“Permitted Indebtedness” means:

- (a) Indebtedness and Obligations evidenced by the Agreement or the other Loan Documents,
- (b) Indebtedness set forth on Schedule 4.14 to the Agreement and any Refinancing Indebtedness in respect of such Indebtedness,
- (c) Permitted Purchase Money Indebtedness and any Refinancing Indebtedness in respect of such Indebtedness,
- (d) endorsement of instruments or other payment items for deposit,
- (e) Indebtedness consisting of (i) unsecured guarantees incurred in the ordinary course of business with respect to surety and appeal bonds, performance bonds, bid bonds, appeal bonds, completion guarantee and similar obligations; (ii) unsecured guarantees arising with respect to customary indemnification obligations to purchasers in connection with Permitted Dispositions; and (iii) unsecured guarantees with respect to Indebtedness of any Loan Party, to the extent that the Loan Party that is obligated under such guaranty could have incurred such underlying Indebtedness,
- (f) unsecured Indebtedness of any Loan Party that is incurred on the date of the consummation of a Permitted Acquisition solely for the purpose of consummating such Permitted Acquisition so long as (i) no Event of Default has occurred and is continuing or would result therefrom, (ii) such unsecured Indebtedness is not incurred for working capital purposes, (iii) such unsecured Indebtedness does not mature prior to the date that is 12 months after the Maturity Date, (iv) such unsecured Indebtedness does not amortize until 12 months after the Maturity Date, (v) such unsecured Indebtedness does not provide for the payment of interest thereon in cash or Cash Equivalents prior to the date that is 12 months after the Maturity Date, and (vi) such Indebtedness is subordinated in right of payment to the Obligations on terms and conditions reasonably satisfactory to Agent and the Lenders,
- (g) Acquired Indebtedness in an amount not to exceed \$1,000,000 outstanding at any one time,
- (h) Indebtedness incurred in the ordinary course of business under performance, surety, statutory, or appeal bonds,
- (i) Indebtedness owed to any Person providing property, casualty, liability, or other insurance to the Loan Parties, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness is outstanding only during such year,
- (j) the incurrence by the Loan Parties of Indebtedness under Hedge Agreements that are incurred for the bona fide purpose of hedging the interest rate, commodity, or foreign currency risks associated with the Loan Parties’ operations and not for speculative purposes,

(k) Indebtedness incurred in the ordinary course of business in respect of credit cards, credit card processing services, debit cards, stored value cards, purchase cards (including so-called “procurement cards” or “P-cards”), or Cash Management Services,

(l) unsecured Indebtedness of Parent owing to former employees, officers, or directors (or any spouses, ex-spouses, or estates of any of the foregoing) incurred in connection with the repurchase by Parent of the Equity Interests of Parent that has been issued to such Persons, so long as (i) no Default or Event of Default has occurred and is continuing or would result from the incurrence of such Indebtedness, (ii) the aggregate amount of all such Indebtedness outstanding at any one time does not exceed \$1,000,000, and (iii) such Indebtedness is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent,

(m) unsecured Indebtedness owing to sellers of assets or Equity Interests to a Loan Party that is incurred by the applicable Loan Party in connection with the consummation of one or more Permitted Acquisitions so long as (i) the aggregate principal amount for all such unsecured Indebtedness does not exceed \$5,000,000 at any one time outstanding, (ii) is subordinated to the Obligations on terms and conditions reasonably acceptable to Agent, and (iii) is otherwise on terms and conditions (including all economic terms and the absence of covenants) reasonably acceptable to Agent,

(n) contingent liabilities in respect of any indemnification obligation, adjustment of purchase price, non-compete, or similar obligation of Parent or the applicable Loan Party incurred in connection with the consummation of one or more Permitted Acquisitions,

(o) Indebtedness composing Permitted Investments,

(p) unsecured Indebtedness incurred in respect of netting services, overdraft protection, and other like services, in each case, incurred in the ordinary course of business,

(q) unsecured Indebtedness of Parent or the applicable Loan Party in respect of Earn-Outs owing to sellers of assets or Equity Interests to Parent or another Loan Party that is incurred in connection with the consummation of one or more Permitted Acquisitions so long as such unsecured Indebtedness is on terms and conditions reasonably acceptable to Agent,

(r) accrual of interest, accretion or amortization of original issue discount, or the payment of interest in kind, in each case, on Indebtedness that otherwise constitutes Permitted Indebtedness,

(s) unsecured subordinated Indebtedness, the aggregate outstanding amount of which does not exceed \$5,000,000 so long as (i) such unsecured Indebtedness is subordinated in right of payment to the Obligations on terms and conditions reasonably acceptable to Agent, and (ii) such unsecured Indebtedness is otherwise on terms and conditions reasonably acceptable to Agent,

(t) the First Lien Loan Indebtedness, not to exceed a maximum principal amount of \$215,000,000 (excluding obligations owing with respect to Bank Products), and

(u) any other unsecured Indebtedness incurred by the Loan Parties in an aggregate outstanding amount not to exceed \$10,000,000 at any one time.

“Permitted Intercompany Advances” means loans made by (a) a Loan Party to another Loan Party, (b) a Subsidiary of Parent that is not a Loan Party to another Subsidiary of Parent that is not a Loan Party, (c) a Subsidiary of Parent that is not a Loan Party to a Loan Party, so long as the parties thereto are party to an Intercompany Subordination Agreement, and (d) a Loan Party to a Subsidiary of Parent that is not a Loan Party so long as such loan complies with the requirements set forth in the definition of Restricted Investment.

“Permitted Investments” means:

- (a) Investments in cash and Cash Equivalents,
- (b) Investments in negotiable instruments deposited or to be deposited for collection in the ordinary course of business,
- (c) advances made in connection with purchases of goods or services in the ordinary course of business,
- (d) Investments received in settlement of amounts due to any Loan Party effected in the ordinary course of business or owing to any Loan Party as a result of Insolvency Proceedings involving an account debtor or upon the foreclosure or enforcement of any Lien in favor of a Loan Party,
- (e) Investments owned by any Loan Party on the Closing Date and set forth on Schedule P-1 to the Agreement,
- (f) guarantees permitted under the definition of Permitted Indebtedness,
- (g) Permitted Intercompany Advances,
- (h) Equity Interests or other securities acquired in connection with the satisfaction or enforcement of Indebtedness or claims due or owing to a Loan Party (in bankruptcy of customers or suppliers or otherwise outside the ordinary course of business) or as security for any such Indebtedness or claims,
- (i) deposits of cash made in the ordinary course of business to secure performance of operating leases,
- (j) (i) non-cash loans and advances to employees, officers, and directors of Parent for the purpose of purchasing Equity Interests in Parent so long as the proceeds of such loans are used in their entirety to purchase such Equity Interests in Parent, and (ii) loans and advances to employees and officers of Parent or any of its Subsidiaries in the ordinary course of business for any other business purpose and in an aggregate amount not to exceed \$1,000,000 at any one time,
- (k) Permitted Acquisitions,
- (l) Investments (i) in the form of capital contributions and the acquisition of Equity Interests made by any Loan Party in any other Loan Party, or (ii) in the form of capital contributions and the acquisition of Equity Interests made by any Loan Party in any Subsidiary of Parent that is not a Loan Party (or in any joint venture that is not a Subsidiary of Parent) so long as such capital contribution or acquisition complies with the requirements set forth in the definition of Restricted Investment,
- (m) Investments resulting from entering into (i) Bank Product agreements, or (ii) agreements relative to Indebtedness that is permitted under clause (j) of the definition of Permitted Indebtedness,

(n) equity Investments by any Loan Party in any Subsidiary of such Loan Party which is required by law to maintain a minimum net capital requirement or as may be otherwise required by applicable law,

(o) Investments held by a Person acquired in a Permitted Acquisition to the extent that such Investments were not made in contemplation of or in connection with such Permitted Acquisition and were in existence on the date of such Permitted Acquisition, and

(p) so long as no Event of Default has occurred and is continuing or would result therefrom, any other Investments in an aggregate amount not to exceed \$10,000,000 during the term of the Agreement; provided, however, upon repayment in full of the term loan under the First Lien Loan Documents, prior use of this clause (p) shall be disregarded for purposes of compliance herewith if, and each time, “Revolver Usage” (as defined under the First Lien Loan Agreement) is reduced to zero for a period of 30 consecutive days.

“Permitted Liens” means

(a) Liens granted to, or for the benefit of, Agent to secure the Obligations,

(b) Liens for unpaid taxes, assessments, or other governmental charges or levies that either (i) are not yet delinquent, or (ii) do not have priority over Agent’s Liens and the underlying taxes, assessments, or charges or levies are the subject of Permitted Protests,

(c) judgment Liens arising solely as a result of the existence of judgments, orders, or awards that do not constitute an Event of Default under Section 8.3 of the Agreement,

(d) Liens set forth on Schedule P-2 to the Agreement; provided, that to qualify as a Permitted Lien, any such Lien described on Schedule P-2 to the Agreement shall only secure the Indebtedness that it secures on the Closing Date and any Refinancing Indebtedness in respect thereof,

(e) the interests of lessors under operating leases and non-exclusive licensors under license agreements,

(f) purchase money Liens or the interests of lessors under Capital Leases to the extent that such Liens or interests secure Permitted Purchase Money Indebtedness and so long as (i) such Lien attaches only to the asset purchased or acquired and the proceeds thereof, and (ii) such Lien only secures the Indebtedness that was incurred to acquire the asset purchased or acquired or any Refinancing Indebtedness in respect thereof,

(g) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet delinquent, or (ii) are the subject of Permitted Protests,

(h) Liens on amounts deposited to secure the Loan Parties’ obligations in connection with worker’s compensation or other unemployment insurance,

(i) Liens on amounts deposited to secure the Loan Parties’ obligations in connection with the making or entering into of bids, tenders, or leases in the ordinary course of business and not in connection with the borrowing of money,

(j) Liens on amounts deposited to secure the Loan Parties' reimbursement obligations with respect to surety or appeal bonds obtained in the ordinary course of business,

(k) with respect to any Real Property, easements, rights of way, and zoning restrictions that do not materially interfere with or impair the use or operation thereof,

(l) non-exclusive licenses of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of business,

(m) Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is the subject of permitted Refinancing Indebtedness and so long as the replacement Liens only encumber those assets that secured the original Indebtedness,

(n) rights of setoff or bankers' liens upon deposits of funds in favor of banks or other depository institutions, solely to the extent incurred in connection with the maintenance of such Deposit Accounts in the ordinary course of business,

(o) Liens granted in the ordinary course of business on the unearned portion of insurance premiums securing the financing of insurance premiums to the extent the financing is permitted under the definition of Permitted Indebtedness,

(p) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods,

(q) Liens solely on any cash earnest money deposits made by any Loan Party in connection with any letter of intent or purchase agreement with respect to a Permitted Acquisition,

(r) Liens assumed by any Loan Party in connection with a Permitted Acquisition that secure Acquired Indebtedness,

(s) Permitted First Lien Agent Liens, and

(t) other Liens which do not secure Indebtedness for borrowed money or letters of credit and as to which the aggregate amount of the obligations secured thereby does not exceed \$500,000.

"Permitted Protest" means the right of any Loan Party to protest any Lien (other than any Lien that secures the Obligations), taxes (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (a) a reserve with respect to such obligation is established on the Loan Parties' books and records in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by the applicable Loan Party in good faith, and (c) Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Agent's Liens.

"Permitted Purchase Money Indebtedness" means, as of any date of determination, Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred after the Closing Date and at the time of, or within 20 days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof, in an aggregate principal amount outstanding at any one time not in excess of \$45,000,000.

"Person" means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

“Platform” has the meaning specified therefor in Section 17.9(c) of the Agreement.

“Projections” means the Loan Parties’ forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a basis consistent with the Loan Parties’ historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

“Pro Rata Share” means, as of any date of determination:

(a) with respect to a Lender’s obligation to make the Term Loan and right to receive payments of interest, fees, and principal with respect thereto, (i) prior to the making of the Term Loan, the percentage obtained by dividing (y) such Lender’s Term Loan Commitment, by (z) the aggregate amount of all Lenders’ Term Loan Commitments, and (ii) from and after the making of the Term Loan, the percentage obtained by dividing (y) the principal amount of such Lender’s portion of the Term Loan by (z) the principal amount of the Term Loan, and

(b) with respect to all other matters and for all other matters as to a particular Lender (including the indemnification obligations arising under Section 15.7 of the Agreement), the percentage obtained by dividing (i) the Term Loan Exposure of such Lender by (ii) the aggregate Term Loan Exposure of all Lenders, in any such case as the applicable percentage may be adjusted by assignments permitted pursuant to Section 13.1; provided, that if all of the Loans have been repaid in full, Pro Rata Share under this clause shall be determined as if the Term Loan Exposures had not been repaid and shall be based upon the Term Loan Exposures as they existed immediately prior to their repayment.

“Public Lender” has the meaning specified therefor in Section 17.9(c) of the Agreement.

“Qualified Equity Interest” means and refers to any Equity Interests issued by Parent (and not by one or more of its Subsidiaries) that is not a Disqualified Equity Interest.

“Real Property” means any estates or interests in real property now owned or hereafter acquired by any Loan Party and the improvements thereto.

“Real Property Collateral” means the Real Property identified on Schedule R-1 to the Agreement and any Real Property hereafter acquired by any Loan Party.

“Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Refinancing Indebtedness” means refinancings, renewals, or extensions of Indebtedness so long as:

(a) such refinancings, renewals, or extensions do not result in an increase in the principal amount of the Indebtedness so refinanced, renewed, or extended, other than by the amount of premiums paid thereon and the fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto,

(b) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity (measured as of the refinancing, renewal, or extension) of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions that, taken as a whole, are or could reasonably be expected to be materially adverse to the interests of the Lenders,

(c) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension must include subordination terms and conditions that are at least as favorable to the Lender Group as those that were applicable to the refinanced, renewed, or extended Indebtedness, and

(d) the Indebtedness that is refinanced, renewed, or extended is not recourse to any Person that is liable on account of the Obligations other than those Persons which were obligated with respect to the Indebtedness that was refinanced, renewed, or extended.

“Register” has the meaning set forth in Section 13.1(h) of the Agreement.

“Registered Loan” has the meaning set forth in Section 13.1(h) of the Agreement.

“Regulatory Change” means, with respect to any Lender, any change effective after the Closing Date in Applicable Law (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or the adoption or making after such date of any interpretation, directive or request applying to a class of banks or entities in the business of lending or holding loans, including such Lender, of or under any Applicable Law (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any Governmental Authority or monetary authority charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive regarding capital adequacy. Notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities shall, in each case, be deemed to be a “Regulatory Change”, regardless of the date enacted, adopted or issued.

“Related Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

“Remedial Action” means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (c) restore or reclaim natural resources or the environment, (d) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (e) conduct any other actions with respect to Hazardous Materials required by Environmental Laws.

“Replacement Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Report” has the meaning specified therefor in Section 15.16 of the Agreement.

“Required Lenders” means, at any time, Lenders having or holding more than 50% of the aggregate Term Loan Exposure of all Lenders; provided, that at any time there are 2 or more Lenders, “Required Lenders” must include at least 2 Lenders.

“Restricted Investment” means any Investment consisting of an Acquisition by a Loan Party or a loan, capital contribution or acquisition of Equity Interests made by any Loan Party to or in any Subsidiary of Parent that is not a Loan Party (or in any joint venture that is not a Subsidiary of Parent), in each case so long as (a) no Default or Event of Default shall have occurred and be continuing or would result from such Investment, (b) such Investment is permitted as a “Restricted Investment” under the terms of the Initial First Lien Loan Agreement, and (c) on or prior to the date of each such Investment, Borrowers shall have delivered to Agent an officer’s certificate from an Authorized Person as to the satisfaction of all conditions set forth above.

“Restricted Payment” means to (a) declare or pay any dividend or make any other payment or distribution, directly or indirectly, on account of Equity Interests issued by Parent (including any payment in connection with any merger or consolidation involving Parent) or to the direct or indirect holders of Equity Interests issued by Parent in their capacity as such (other than dividends or distributions payable in Qualified Equity Interests issued by Parent), (b) purchase, redeem, make any sinking fund or similar payment, or otherwise acquire or retire for value (including in connection with any merger or consolidation involving Parent) any Equity Interests issued by Parent, (c) make any payment to retire, or to obtain the surrender of, any outstanding warrants, options, or other rights to acquire Equity Interests of Parent now or hereafter outstanding, and (d) make, or cause or suffer to permit any of Parent’s Subsidiaries to make, any payment or prepayment of principal of, premium, if any, or interest on, or redemption, purchase, retirement, defeasance (including in-substance or legal defeasance), sinking fund or similar payment with respect to, any Subordinated Indebtedness.

“Revolving Loans” has the meaning specified therefor in the First Lien Loan Agreement.

“Sanctioned Entity” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

“Sanctioned Person” means a person named on the list of Specially Designated Nationals maintained by OFAC.

“S&P” has the meaning specified therefor in the definition of Cash Equivalents.

“SEC” means the United States Securities and Exchange Commission and any successor thereto.

“Securities Account” means a securities account (as that term is defined in the Code).

“Securities Act” means the Securities Act of 1933, as amended from time to time, and any successor statute.

“Solvent” means, with respect to any Person as of any date of determination, that (a) at fair valuations, the sum of such Person’s debts (including contingent liabilities) is less than all of such Person’s assets, (b) such Person is not engaged or about to engage in a business or transaction for which the remaining assets of such Person are unreasonably small in relation to the business or transaction or for which the property remaining with such Person is an unreasonably small capital, and (c) such Person has not incurred and does not intend to incur, or reasonably believe that it will incur, debts beyond its ability to pay such debts as they become due (whether at maturity or otherwise), and (d) such Person is “solvent” or not “insolvent”, as applicable within the meaning given those terms and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

“Subordinated Indebtedness” means any unsecured Indebtedness of any Loan Party incurred from time to time that is subordinated in right of payment to the Obligations and that (a) is only guaranteed by the Guarantors, (b) is not subject to scheduled amortization, redemption, sinking fund or similar payment and does not have a final maturity, in each case, on or before the date that is six months after the Maturity Date, (c) does not include any financial covenants or any covenant or agreement that is more restrictive or onerous on any Loan Party in any material respect than any comparable covenant in the Agreement, and (d) contains customary subordination (including customary payment blocks during a payment default under any “senior debt” designated thereunder) and turnover provisions and shall be limited to cross-payment default and cross-acceleration to other “senior debt” designated thereunder.

“Subsidiary” of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the Equity Interests having ordinary voting power to elect a majority of the Board of Directors of such corporation, partnership, limited liability company, or other entity.

“Taxes” means any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein, and all interest, penalties or similar liabilities with respect thereto.

“Tax Lender” has the meaning specified therefor in Section 14.2(a) of the Agreement.

“Term Loan” has the meaning specified therefor in Section 2.1 of the Agreement.

“Term Loan Amount” means \$30,000,000.

“Term Loan Commitment” means, with respect to each Lender, such Dollar amounts as are set forth beside such Lender’s name under the applicable heading on Schedule C-1 to the Agreement or in the Assignment and Acceptance pursuant to which such Lender became a Lender under the Agreement, as such amounts may be reduced or increased from time to time pursuant to assignments made in accordance with the provisions of Section 13.1 of the Agreement.

“Term Loan Exposure” means, with respect to any Term Loan Lender, as of any date of determination (a) prior to the funding of the Term Loan, the amount of such Lender’s Term Loan Commitment, and (b) after the funding of the Term Loan, the outstanding principal amount of the Term Loan held by such Lender.

“Term Loan Lender” means a Lender that has a Term Loan Commitment or that has a portion of the Term Loan.

“Trademark Security Agreement” has the meaning specified therefor in the Guaranty and Security Agreement.

“Transition Period” has the meaning specified therefor in Schedule 5.15 of this Agreement.

“Unifi Equipment Leasing” means Unifi Equipment Leasing, LLC, a North Carolina limited liability company.

“Unifi Kinston” means Unifi Kinston LLC, a North Carolina limited liability company.

“Unifi Manufacturing” means Unifi Manufacturing, Inc., a North Carolina corporation.

“Unifi Textured Polyester” means Unifi Textured Polyester, LLC, a North Carolina limited liability company.

“Unimatrix Americas” means Unimatrix Americas, LLC, a North Carolina limited liability company.

“United States” means the United States of America (and any state thereof, including the District of Columbia), and all of its territories, possessions and protectorates.

“Voidable Transfer” has the meaning specified therefor in Section 17.8 of the Agreement.

“Wells Fargo” means Wells Fargo Bank, National Association, a national banking association.

Schedule 3.1

The obligation of each Lender to make its extension of credit provided for in the Agreement is subject to the fulfillment in all respects, to the satisfaction of each Lender (the making of such extension of credit by any Lender being conclusively deemed to be its satisfaction or waiver of the following), of each of the following conditions precedent:

- (a) the Closing Date shall occur on or before May 31, 2012;
- (b) Agent shall have received confirmation from the filing service which is used that appropriate financing statements have been submitted for filing by such filing service in the jurisdiction of organization of each Loan Party;
- (c) Agent shall have received each of the following documents, duly executed and delivered, and each such document shall be in full force and effect:
 - (i) a letter from the Existing Agent to the First Lien Agent respecting the amount necessary to repay in full all of the obligations of Parent and its Subsidiaries owing under the Existing Credit Facility and obtain a release of all of the Liens existing in favor of Existing Agent in and to the assets of Parent and its Subsidiaries (the "BofA Payoff Letter"),
 - (ii) the Fee Letter,
 - (iii) the Flow of Funds Agreement (with the amounts specified in the BofA Payoff Letter, the Indenture Payoff Statement (as defined below) and the Fee Letters completed, but subject to final confirmation of the amounts specified in the BofA Payoff Letter and the Indenture Payoff Statement as of the Closing Date and to completion of the Lender Group Expenses as of the Closing Date),
 - (iv) the Guaranty and Security Agreement, together with the Patent Security Agreement and the Trademark Security Agreement, and
 - (v) the Mortgages with respect to the Closing Date Real Property Collateral,
 - (vi) a certificate of the Secretary of Parent certifying each First Lien Loan Document attached thereto as being a true, correct, and complete copy thereof (subject to the completion of any information left blank or bracketed, correction of any clerical, typographical and other errors, and addressing other items that are not material, taken as a whole),
 - (vii) a certificate of the Secretary of Parent certifying as to Parent's compliance with clause (c) below and certifying each of the Redemption Documents and the Indenture Payoff Statement attached thereto as being a true, correct, and complete copy thereof,
 - (viii) the Intercreditor Agreement,
 - (ix) a solvency certificate, certifying as to the solvency of each Loan Party after giving effect to the transactions contemplated by the Agreement; and
 - (x) the Limited Consent to Permit Encumbrance of Membership Interest for Collateral Security Purposes relating to the pledge of the Parkdale JV Interests Collateral;

(d) Agent shall have received each of the following documents, duly executed and delivered, and each such document shall be in full force and effect:

(i) the opinion letter of the Loan Parties' counsel,

(ii) a certificate from the Secretary of each Loan Party (i) attesting to the resolutions of such Loan Party's board of directors authorizing its execution, delivery, and performance of the Loan Documents to which it is a party, (ii) authorizing specific officers of such Loan Party to execute the same, and (iii) attesting to the incumbency and signatures of such specific officers of such Loan Party, and

(iii) copies of each Loan Party's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Loan Party;

(e) Parent shall have delivered (i) to the Indenture Trustee (and noteholders, as applicable) all notices, instructions, opinions (which shall expressly provide that Agent and the Lenders are entitled to rely thereon) and other items required or appropriate under the Indenture for the redemption in full on the Closing Date of the notes evidencing the Existing Notes Facility (collectively, the "Redemption Documents"), and (ii) to Agent a written confirmation as to the amounts necessary to repay in full on the Closing Date all of the obligations of Borrowers owing under the Existing Notes Facility and cause the Indenture Trustee or other appropriate party under the Existing Notes Facility to release all of the Liens existing in connection therewith in and to the assets of the Loan Parties and their Subsidiaries (the "Indenture Payoff Statement");

(f) Agent shall have received a Mortgage Policy for each parcel of Closing Date Real Property Collateral;

(g) Agent shall have received a certificate of status with respect to each Loan Party, dated within 10 days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Loan Party, which certificate shall indicate that such Loan Party is in good standing in such jurisdiction;

(h) Agent shall have received certificates of status with respect to each Loan Party, each dated within 30 days of the Closing Date, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Loan Party) in which its failure to be duly qualified or licensed would constitute a Material Adverse Effect, which certificates shall indicate that such Loan Party is in good standing in such jurisdictions;

(i) Agent shall have received a certificate of insurance, together with the endorsements thereto, in the same form as received by the First Lien Agent;

(j) Borrowers shall have paid all Lender Group Expenses incurred in connection with the transactions evidenced by the Agreement and the other Loan Documents;

(k) simultaneous with the closing of the Loans, Borrowers shall have received the proceeds of the First Lien Loan Indebtedness in accordance with the terms of the First Lien Loan Agreement; and

(l) Parent and each of its Subsidiaries shall have received all licenses, approvals or evidence of other actions required by any Governmental Authority in connection with the execution and delivery by the Loan Parties of the Loan Documents or with the consummation of the transactions contemplated thereby (other than the filing of financing statements, Mortgages and other documents contemplated elsewhere in this Schedule 3.1).

Schedule 4.1(b)

Capitalization of Subsidiaries

<u>Current Legal Entities Owned</u>	<u>Record Owner</u>	<u>No. Shares/ Interest</u>
Unifi Holding 1, BV (“UH1”)	Unifi, Inc.	40 shs/100% - Unifi, Inc.
Unifi Holding 2, BV (“UH2”)	Unifi Holding 2, BV	40 shs/100% - UH1
Unifi Holding 3, BV (“UH3”)	Unifi Holding 2, BV	40 shs/100% - UH2
Unifi Central America Holding, SRL(formerly Unifi Asia Holding, SRL) (“UCAH”)	Unifi Holding 2, BV	100% - UH2
Unifi Textiles Holding, SRL (“UTH”)	Unifi Holding 2, BV	100% - UH2
Unifi do Brasil, Ltda.	Unifi, Inc./Unifi Manufacturing, Inc.	99.99% - Unifi, Inc. & .01% - UMI
Unifi Manufacturing, Inc. (“UMI”)	Unifi, Inc.	1000 shs/100% - Unifi, Inc.
Unifi Textured Polyester, LLC	Unifi Manufacturing, Inc.	100% - UMI
Unifi Kinston, LLC	Unifi Manufacturing, Inc.	100% - UMI
Unifi Sales & Distribution, Inc.	Unifi, Inc.	1000 shs/100%-Unifi, Inc.
Unimatrix Americas, LLC	Unifi Manufacturing, Inc.	100%-UMI
Spanco International, Inc. (“SII”)	Unifi Manufacturing, Inc.	2,346,474 shs/ 100% - UMI
Unifi Latin America, S.A.	Spanco International, Inc./Unifi Manufacturing, Inc.	83% - SII & 16% - UMI & 1% Directors
Unifi Equipment Leasing, LLC	Unifi Manufacturing, Inc.	100% - UMI
Unifi Textiles (Suzhou) Co. Ltd.	Unifi Textiles Holding, srl	100% - UTH
Unifi Central America, Ltda. de CV	Unifi Central America Holding, srl	99.99%-UCAH & .01%-UH2
Unifi Yarns Mexico, S de RL de CV	Unifi, Inc./ Unifi Manufacturing, Inc.	99.99% - Unifi, Inc. & .01% UMI
Repreve Renewables, LLC	Unifi Holding 3, BV/Links Partners Ltd.	60%-UH3 & 40% Links Partners Ltd.
U.N.F. AMERICA, LLC	Unifi Holding 2, BV/Nilit	50% - UH2 & 50% Nilit
U.N.F. Industries, Ltd.	Unifi Holding 2, BV/Nilit	50%-UH2 & 50% Nilit

Schedule 4.1(c)

Subscriptions, Options, Warrants and Calls of Certain Subsidiaries

None.

Schedule 4.1(c) - 1

Schedule 4.11

Environmental Matters

Kentec Facility near the Kinston, NC plant has been operating under a groundwater Corrective Action Plan with the North Carolina Department of Environment and Natural Resources. Title to this property is held by Unifi Kinston.

The following Phase I Environmental Site Assessments and the finding therein are incorporated herein:

- Phase I Environmental Site Assessment, Unifi, Inc. Topsider Facility, 108 Beroth Street, Yadkinville, Yadkin County, North Carolina, by ECS Carolinas, LLP, dated April 4, 2012.
- Phase I Environmental Site Assessment, Old Highway 421 East, 601 East Main Street, Yadkinville, Yadkin County, North Carolina, by ECS Carolinas, LLP, dated April 4, 2012.
- Phase I Environmental Site Assessment, Unifi, Inc. – Plant 3, 805 Island Drive and 465 Turner Road, Madison, Rockingham County, North Carolina, by ECS Carolina, LLP, dated April 4, 2012.
- Phase I Environmental Site Assessment, Unifi, Inc. Manufacturing Facility, 1032 Unifi Industrial Road, Yadkinville, Yadkin County, North Carolina, by ECS Carolinas, LLP, dated April 4, 2012.
- Phase I Environmental Site Assessment, Unifi, Inc. – Plant 4, 2920 Vance Street Extension, Reidsville, Rockingham County, North Carolina, by ECS Carolinas, LLP, dated April 4, 2012.
- Phase I Environmental Site Assessment, Unifi, Inc. – Decatur Street Warehouse, 713 West Decatur Street, Madison, Rockingham County, North Carolina, by ECS Carolinas, LLP, dated April 4, 2012.
- Phase I Environmental Site Assessment, Unifi Inc. Corporate Offices, 7201 West Friendly Avenue, Greensboro, Guilford County, North Carolina, by ECS Carolinas, LLP, dated April 4, 2012.

Schedule 4.14

Indebtedness

<u>Description</u>	<u>Principal Amount</u>
Sale-Leaseback Arrangement	\$ 35,826
Letters of Credit on Schedule E-2	\$ 2,695,000.00
Hedge Agreements, as of April 30, 2012:	
- \$25,000,000 Notional Amount	\$ 296,536.00
- \$10,000,000 Notional Amount	\$ 48,759.00

Schedule 4.14 - 1

Schedule 4.20

Excluded Subsidiaries

Kentec Facility near the Kinston, NC plant has been operating under a groundwater Corrective Action Plan with the North Carolina Department of Environment and Natural Resources. Title to this property is held by Unifi Kinston.

Schedule 4.20 - 1

Schedule 4.24

Location of Equipment and Inventory

Locations:

Corporate Offices
7201 W Friendly Ave.
Greensboro, NC 27410

Yadkinville Main Campus
601 East Main Street
Yadkinville, NC 27055

Yadkinville T5 & POY
1032 Unifi Industrial Rd.
Yadkinville, NC 27055

(Topsider) Warehouse
108 Beroth Street
Yadkinville, NC 27055

Reidsville Plant 4
2920 Vance Street Extension
Reidsville, NC 27320

Madison Plant 3
805 Island Drive
Madison, NC 27025

Mayodan Plant 15
271 Cardwell Road
Mayodan, NC 27027

Decatur Street Warehouse
713 Decatur Street
Madison, NC 27022

Cooleemee Warehouse
314 South Main Street
Cooleemee, NC 27014

[schedule continues]

Bailees:

<u>Location</u>	<u>Warehouseman's or Processor's Name and Address</u>
(Finished Goods Inventory) Crowley Caribbean Logistics, LLC Centro Internacional de Comercio Rd 165, K.M 2.4, Bldg # 13 Guaynabo, Puerto Rico 00970	Crowley Logistics Carlos Rice, Vice President 9950 NW 17th Street Doral, FL 33172
(Finished Goods Inventory) Globecon Freight Systems, Inc. 18420 S. Broadwick Rancho Dominguez, CA 90220	Globecon Freight Systems, Inc. Ken Devine, President 18420 S. Broadwick Rancho Dominguez, CA 90220
(Finished Goods Inventory) Blackhawk Logistics, LLC 5801 North Rhett Ext. Hanahan, SC 29406	Blackhawk Logistics, LLC 900 Commerce Circle N. Charleston, SC 29410

Schedule 5.1

Deliver to Agent (and if so requested by Agent, with copies for each Lender) each of the financial statements, reports, or other items set forth below at the following times in form satisfactory to Agent:

as soon as available, but in any event within 45 days after the end of each fiscal quarter during each of Parent's fiscal years,	(a) an unaudited consolidated and consolidating balance sheet, income statement, statement of cash flow, and statement of shareholder's equity covering Parent's and its Subsidiaries' operations during such period and compared to the plan, and (b) if requested by Agent, a Compliance Certificate along with the underlying calculations, including the calculations to arrive at the Fixed Charge Coverage Ratio (regardless of whether the Fixed Charge Coverage Ratio is then required to be tested under Section 7 of the Agreement).
as soon as available, but in any event within 90 days after the end of each of Parent's fiscal years,	(c) consolidated and consolidating financial statements of Parent and its Subsidiaries for each such fiscal year, audited by independent certified public accountants reasonably acceptable to Agent and certified, without any qualifications (including any (A) "going concern" or like qualification or exception, (B) qualification or exception as to the scope of such audit, or (C) qualification which relates to the treatment or classification of any item and which, as a condition to the removal of such qualification, would require an adjustment to such item, the effect of which would be to cause any noncompliance with the provisions of Section 7 of the Agreement), by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, statement of cash flow, and statement of shareholder's equity, and, if prepared, such accountants' letter to management), (d) a Compliance Certificate along with the underlying calculations, including the calculations to arrive at the Fixed Charge Coverage Ratio (regardless of whether the Fixed Charge Coverage Ratio is then required to be tested under Section 7 of the Agreement).
as soon as available, but in any event within 30 days prior to the start of each of Parent's fiscal years,	(e) if requested by Agent, copies of the Loan Parties' Projections, in form and substance (including as to scope and underlying assumptions) satisfactory to Agent, in its Permitted Discretion, for the forthcoming 3 years, year by year, and for the forthcoming fiscal year, month by month, certified by the chief financial officer of Parent as being such officer's good faith estimate of the financial performance of the Loan Parties during the period covered thereby.
if and when filed by Parent,	(f) Form 10-Q quarterly reports, Form 10-K annual reports, and Form 8-K current reports, (g) any other filings made by Parent with the SEC, and (h) any other information that is provided by Parent to its shareholders generally.

promptly, but in any event within 5 days after any Borrower has knowledge of any event or condition that constitutes a Default or an Event of Default,	(i) notice of such event or condition and a statement of the curative action that Borrowers propose to take with respect thereto.
promptly after the commencement thereof, but in any event within 5 days after the service of process with respect thereto on Parent or any of its Subsidiaries,	(j) notice of all actions, suits, or proceedings brought by or against Parent or any of its Subsidiaries before any Governmental Authority which reasonably could be expected to result in a Material Adverse Effect.
upon the request of Agent,	(k) any other information reasonably requested relating to the financial condition of Parent or its Subsidiaries.

Information required to be delivered pursuant to clauses (a) (as to fiscal quarters only), (b), (f), (g) and (h) shall be deemed to have been delivered if such information, or one or more annual, quarterly or other reports containing such information, shall have been posted on Parent’s website on the internet (currently <http://www.unifi.com>) or by Agent on SyndTrak or a similar site to which the Lenders have been granted access or shall be available on the website of the Securities and Exchange Commission at <http://www.sec.gov>; provided that Parent shall deliver paper copies of such information to Agent or any Lender that reasonably requests such delivery; and provided further that such information shall only be deemed to have been delivered when posted on any such website upon notification by Parent to Agent of such posting (which notification, notwithstanding the terms of Section 11 of the Agreement, may be given by electronic mail without requirement of Parent’s receipt of an acknowledgment from Agent as to delivery).

Schedule 5.2

Provide Agent (and if so requested by Agent, with copies for each Lender) with each of the documents set forth below at the following times in form satisfactory to Agent:

Upon request by Agent	Copies of any and all reporting provided under the First Lien Loan Agreement and such other reports as to the Collateral or financial condition of the Borrowers and their Subsidiaries as Agent may reasonably request from time to time.
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Exhibit 21.1**UNIFI, INC.****SUBSIDIARIES**

Name	Address	Incorporation	Unifi Percentage Of Voting Securities Owned
Unifi Holding 1, BV (“UH1”)	Amsterdam, Netherlands	Netherlands	100% - Unifi, Inc.
Unifi Holding 2, BV (“UH2”)	Amsterdam, Netherlands	Netherlands	100% - UH1
Unifi Holding 3, BV	Amsterdam, Netherlands	Netherlands	100% - UH2
Unifi Central America Holding, SRL (“UCAH”)	St. Michael, Barbados	Barbados	100% - UH2
Unifi Textiles Holding, SRL (“UTH”)	St. Michael, Barbados	Barbados	100% - UH2
Unifi do Brasil, Ltda	Sao Paulo, Brazil	Brazil	99.99% - Unifi, Inc. .01% - UMI
Unifi Manufacturing, Inc. (“UMI”)	Greensboro, NC	North Carolina	100% - Unifi, Inc.
Unifi Textured Polyester, LLC	Greensboro, NC	North Carolina	100% - UMI
Unifi Kinston, LLC	Greensboro, NC	North Carolina	100% - UMI
Unifi Sales & Distribution, Inc.	Greensboro, NC	North Carolina	100% - Unifi, Inc.
Unimatrix Americas, LLC	Greensboro, NC	North Carolina	100% - UMI
Spanco International, Inc. (“SII”)	Greensboro, NC	North Carolina	100% - UMI
Unifi Latin America, S.A.	Bogota, Colombia	Colombia, S.A.	84% - SII 16% - UMI
Unifi Equipment Leasing, LLC	Greensboro, NC	North Carolina	100% - UMI
Unifi Textiles (Suzhou) Co. Ltd.	Suzhou, Jiangsu Province	P.R. China	100% - UTH
Unifi Central America, Ltda. de CV	Ciudad Arce, El Salvador	El Salvador	99% - UCAH 1% - UH2
UnifiYarns Mexico, S de RL de CV	Mexico City, Mexico	Mexico	99.99% - Unifi, Inc. .01% - UMI

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 33-23201) pertaining to the Unifi, Inc. 1982 Incentive Stock Option Plan and the 1987 Non-Qualified Stock Option Plan,
- (2) Registration Statement (Form S-8 No. 33-53799) pertaining to the Unifi, Inc. 1992 Incentive Stock Option Plan and Unifi Spun Yarns, Inc. 1992 Employee Stock Option Plan,
- (3) Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan,
- (4) Registration Statement (Form S-8 No. 333-43158) pertaining to the Unifi, Inc. 1999 Long-Term Incentive Plan,
- (5) Registration Statement (Form S-3 No. 333-140580) pertaining to the resale of Unifi, Inc. common stock, and
- (6) Registration Statement (Form S-8 No. 333-156090) pertaining to the Unifi, Inc. 2008 Long-Term Incentive Plan;

of our report dated September 10, 2010, with respect to the consolidated financial statements of Unifi, Inc. included in this Annual Report (Form 10-K) for the year ended June 24, 2012.

/s/ Ernst & Young LLP

Greensboro, North Carolina
August 30, 2012

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Unifi, Inc.:

We consent to the incorporation by reference in the registration statements No. 33-23201, No. 33-53799, No. 333-35001, No. 333-43158, and No. 333-156090 on Forms S-8 and No. 333-140580 on Form S-3 of Unifi, Inc. and subsidiaries of our reports dated August 30, 2012, with respect to the consolidated balance sheets of Unifi, Inc. and subsidiaries as of June 24, 2012 and June 26, 2011, and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the two year period ended June 24, 2012, and the effectiveness of internal control over financial reporting as of June 24, 2012, which reports appear in the June 24, 2012 annual report on Form 10-K of Unifi, Inc.

/s/ KPMG LLP

Greensboro, North Carolina
August 30, 2012

Exhibit 31.1

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, William L. Jasper, certify that:

1. I have reviewed this annual report on Form 10-K of Unifi, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2012

/s/ WILLIAM L. JASPER

William L. Jasper
Chairman of the Board and Chief Executive Officer

Exhibit 31.2

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ronald L. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Unifi, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2012

/s/ RONALD L. SMITH
Ronald L. Smith
Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Unifi, Inc. (the "Company") Annual Report on Form 10-K for the period ended June 24, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William L. Jasper, Chairman of the Board and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2012

/s/ WILLIAM L. JASPER

William L. Jasper

Chairman of the Board and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Unifi, Inc. (the "Company") Annual Report on Form 10-K for the period ended June 24, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald L. Smith, Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 30, 2012

/s/ RONALD L. SMITH
Ronald L. Smith
Vice President and Chief Financial Officer
(Principal Financial Officer)

