

**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 29, 2014

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.)

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
Common Stock

Name of each exchange on which registered
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 such 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 (§229.405 of this chapter) 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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

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 Exchange Act). Yes No

As of December 29, 2013, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was \$441,335,143.

The registrant has no non-voting stock.

As of September 3, 2014, the number of shares of the registrant's common stock outstanding was 18,313,959.

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 22, 2014, 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
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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that relate to our plans, objectives, estimates and goals. Statements expressing expectations regarding our future, or projections or estimates relating to products, sales, revenues, expenditures, costs or earnings, are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s beliefs, assumptions and expectations about our future economic performance, considering the information currently available to management. The words “believe,” “may,” “could,” “will,” “should,” “would,” “anticipate,” “estimate,” “expect,” “intend,” “objective,” “seek,” “strive,” and words of similar import, or the negative of such words, identify or signal the presence of forward-looking statements. These statements are not statements of historical fact; they involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition that we express or imply in any forward-looking statement. Factors that could contribute to such differences include, but are not limited to:

- 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 for products;
- the financial condition of the Company’s customers;
- the loss of a significant customer;
- the success of the Company’s strategic business initiatives;
- the continuity of the Company’s leadership;
- volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic initiatives;
- availability of and access to credit on reasonable terms;
- changes in currency exchange, interest or inflation rates;
- the ability to reduce production costs;
- the ability to protect intellectual property;
- employee relations;
- the impact of environmental, health and safety regulations;
- the operating performance of joint ventures and other equity investments;
- the accurate financial reporting of information from equity method investees; and
- other factors discussed below in “Item 1A. Risk Factors” or the Company’s other periodic reports and information filed with the Securities and Exchange Commission (the “SEC”).

All such factors are difficult to predict, and they contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the impact of each such factor on the Company. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, except as may be required by federal securities law.

In light of all the above considerations, we reiterate that forward-looking statements are not guarantees of future performance, and we caution you not to rely on them as such.

PART I

Fiscal Year

The Company's fiscal year ends on the last Sunday in June. The Company's Brazilian, Colombian and Chinese subsidiaries' fiscal years end on June 30th. The Company's fiscal years 2014, 2013 and 2012 ended on June 29, 2014, June 30, 2013 and June 24, 2012, respectively, and there were no significant transactions or events that occurred between the Company's fiscal year ends and its subsidiaries' fiscal year ends. The Company's fiscal years 2014, 2013 and 2012 consisted of 52 weeks, 53 weeks and 52 weeks, respectively.

Presentation

All dollar and other currency amounts, as well as share amounts (except per share amounts), are presented in thousands (000s), except as otherwise noted.

Item 1. BUSINESS

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "we", the "Company" or "Unifi"), is a multi-national manufacturing company that processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and premier value-added ("PVA") yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include polyester polymer beads ("Chip"), partially oriented yarn ("POY"), textured, solution and package dyed, twisted, beamed and draw wound yarns; each is available in virgin or recycled varieties (the latter made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles). The Company's nylon products include textured, solution dyed and covered spandex products.

The Company maintains one of the textile industry's most comprehensive yarn product offerings, and it has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States ("U.S."). The Company's principal geographic markets for its products 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 PVA and other specialty products in the Asian textile market, primarily in China, as well as in the European market.

The Company has three operating segments, which are also its reportable segments. These segments derive revenues as follows:

- The Polyester Segment manufactures Chip, POY, textured, dyed, twisted, beamed and draw wound yarns, both virgin and recycled, with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive upholstery, home furnishings, industrial and other end-use markets. The Polyester Segment consists of sales and 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 primarily for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the U.S. and Colombia.
- The International Segment's products primarily include textured polyester and various types of resale yarns and staple fiber. The International Segment sells its yarns to knitters and weavers that produce fabric for the apparel, automotive upholstery, home furnishings, industrial and other end-use markets primarily in the South American and Asian regions. This segment includes a manufacturing location 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 "Note 26. Business Segment Information" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Strategy and Significant Developments

For the fifth consecutive fiscal year, the Company reported net income, which was \$28,823 or \$1.52 per basic share for fiscal year 2014, as our Polyester and Nylon Segments improved significantly, driven by growth in PVA products as part of our continued mix enrichment strategy, and lower polyester raw material costs. Our International Segment, which did not meet expectations but showed improvement as the year progressed, was impacted negatively by lower margins in Brazil due to price pressures from competing imported yarn and the devaluation of the Brazilian currency and lower sales volumes by our Chinese subsidiary due primarily to soft market conditions.

Core Business Strategies

The Company remains committed to making improvements to its core business, growing the market for its value-added products, and generating positive cash flow from operations to fund select strategic growth opportunities and share repurchases. The Company's core strategies include: continuously improving all operational and business processes; enriching our product mix by aggressively growing our PVA products and increasing our market share of compliant yarns; deriving value from sustainability based initiatives, including polyester and nylon recycling; increasing sales in global growth markets, including Central America, Brazil, and China; and maintaining our beneficial joint venture relationships. The Company expects to continue to focus on these strategies through investments in select product and geographic growth opportunities related to its core business.

PVA Products and REPREVE®

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. The Company believes it can continue to increase its PVA sales as a percentage of its overall sales volume and grow its global PVA sales, by approximately 10-12% per year, to create overall mix enrichment and margin gains. The Company's PVA products now represent approximately 27% of its consolidated sales. The Company's strategy of enriching its product mix through a focus on PVA products helps insulate it from the pressures of imports of low-priced commodity yarn and helps to establish the Company as an innovation leader in its core markets.

REPREVE® is the flagship brand in the Company's PVA portfolio, and continues to grow at a faster pace than other PVA products. As part of our efforts to expand consumer brand recognition of REPVE®, the Company was again the official recycling partner of ESPN at the X Games Aspen 2014 in January, and we have developed new branding partnerships with Marvel Universe and the National Football League's Detroit Lions. The increasing success and consumer awareness of our REPVE® brand continues to provide new opportunities for growth, allowing us to expand into new end-uses and markets for REPVE®, as well as continuing to grow the brand with current customers. REPVE® yarns can now be found in many well-known brands and retailers, including Ford, Hagggar's Life Khaki, Polartec, The North Face, Patagonia, Quiksilver, Volcom, REI, Perry Ellis, Sears, Macy's, Kohl's, Greg Norman and Belk department stores.

PVA Expansion and Capital Spending

The Company's recycling facility in Yadkinville, North Carolina, has allowed the Company (i) to expand the REPVE® brand by increasing the amount and types of recyclable materials that can be used in the manufacturing process and (ii) to develop and commercialize PVA products that meet the sustainability demands for brands and retailers. During fiscal year 2014, we spent \$19,091 on capital expenditures, which included completing the installation of our second recycling center expansion, adding 30 million pounds of annual capacity. The Company expects capital expenditures to double for fiscal year 2015. We expect to increase our polyester yarn capacity by adding texturing machines to the Company's locations in Yadkinville, North Carolina, Madison, North Carolina and El Salvador and to improve our manufacturing flexibility, including small production run capabilities. These initiatives are designed to support the Company's mix enrichment strategies, while also improving our ability to better service customers and handle an increasingly complex product mix. In addition, to further leverage the continued success and growth of REPVE® and to secure our future supply of plastic bottles, the Company is also exploring potential backward integration opportunities into bottle washing.

Developments in Principal Markets

The Company believes apparel production is growing in the regions covered by the North American Free Trade Agreement ("NAFTA") and the Central American Free Trade Agreement ("CAFTA"), which regions comprise the principal markets for the Company's domestic operations. The share of apparel production for these regions as a percentage of U.S. retail has stabilized at approximately 18%, while retail consumption has grown – especially for apparel made with synthetic yarns. The CAFTA region, which continues to be a competitive alternative to Asian supply chains for textile products, has maintained its share of synthetic apparel supply to U.S. retailers. The share of synthetic apparel versus cotton apparel has increased and provided growth for the consumption of synthetic yarns within the CAFTA region. The Company expects incremental growth into the foreseeable future, as retailers and brands maintain regional sourcing as part of their overall sourcing plans, retail sales grow, and consumer preferences continue toward synthetic from cotton apparel.

Our Brazilian subsidiary was negatively impacted during fiscal year 2014 by price pressures from imported fiber, fabric and finished goods; the inflation rate in Brazil; and devaluation of the Brazilian Real. The Company continues to work on (i) aggressively pursuing mix enrichment by working with customers to develop programs using our differentiated products as well as our branded PVA yarns, including REPVE®, and (ii) implementing process improvements and manufacturing efficiency gains that will help lower per unit costs.

Our Chinese operation remains an important part of the Company's global PVA strategy as it allows us to service customers who have global operations. For fiscal year 2014, market conditions have been soft and capacity utilization rates have been low throughout the Chinese textile industry, which led to lower than expected sales volumes. However, interest and demand for the Company's PVA products in the region are expected to increase, and we are encouraged by development projects underway with key brands and retailers.

Stock Repurchases

In March 2014, the Company completed the \$50,000 stock repurchase program approved by the Board of Directors (“Board”) in January 2013. In April 2014, the Board approved a new stock repurchase program to acquire up to an additional \$50,000 of the Company’s common stock. As of September 3, 2014, the Company has repurchased a total of 2,592 shares, at an average price of \$21.54, under these repurchase programs. The Company will continue to evaluate opportunities to use excess cash flow from operations or existing borrowings to repurchase additional stock under the new repurchase program, while maintaining sufficient liquidity to support its operational needs and fund future strategic growth opportunities.

Industry Overview

The Company operates in the textile industry and, within it, the respective markets for yarns, fabrics, fibers and end-use products such as apparel and hosiery, automotive upholstery, industrial and home furnishings. The textile industry is global, although there are several distinctive regional or other geographic markets that often shape the business strategies and operations of participants in the industry. Because of free trade agreements and other trade regulations by the U.S. government, the U.S. textile industry, which is otherwise a distinctive geographic market on its own, is often considered in conjunction with other geographic markets or regions in North, South and Central America, such as the regions covered by either or both of NAFTA and CAFTA. As discussed above and elsewhere, the Company’s principal markets for its domestic operations are in the regions covered by NAFTA and CAFTA, which together include the countries of Canada, Mexico, Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua, the Dominican Republic and the U.S.

According to data compiled by Petrochemical Consultants International, global demand for polyester yarns, which includes both filament and staple yarns, has grown steadily since 1980, and in calendar year 2003, polyester replaced cotton as the fiber with the largest percentage of worldwide sales. In calendar year 2013, global polyester consumption accounted for an estimated 54% of global fiber consumption, and demand is projected to increase by approximately 4% annually through 2020. In calendar year 2013, global nylon consumption accounted for an estimated 5% of global fiber consumption, and demand is projected to increase by approximately 1-2% annually through 2020. The polyester and nylon fiber sectors together accounted for approximately 60% of U.S. textile consumption during calendar year 2013.

According to the National Council of Textile Organizations, the U.S. textile industry’s total shipments were \$56.6 billion for calendar year 2013. The industrial and consumer-type products, floor covering, apparel, and home textiles markets account for 48%, 36%, 12% and 4% of total production, respectively. During calendar year 2013, the U.S. textile industry exported nearly \$18 billion of textile products, and the industry has grown by 41% since 2009, an increase of over \$5.2 billion. The U.S. textile industry remains a large manufacturing employer in the U.S.

Trade Regulation and Rules of Origin

The duty rate on imports into the U.S. of finished apparel categories that utilize polyester and nylon yarns generally range from 16% to 32%. Over the last decade, imports of fabric and finished goods into the U.S. have increased significantly from countries that do not participate in free trade agreements or trade preference programs, despite duties charged on those imports. The primary drivers for that growth were lower overseas operating costs, foreign government subsidization 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 (as described below), which follow general “yam forward” rules of origin, allow duty free advantages for apparel made from regional fibers, yarns and fabrics, allowing the Company opportunities to participate in this growing market.

A significant number of the Company’s customers in the apparel market produce finished goods that meet the eligibility requirements for duty-free treatment in the regions covered by NAFTA, CAFTA, and the Colombia and Peru free trade agreements (collectively, the “Regional FTAs”). These Regional FTAs contain rules of origin requirements in order for products covered by them to be eligible for duty-free treatment. In the case of textiles such as fabric, yarn (such as POY), fibers (filament and staple) and certain garments made from them, the products are generally required to be fully formed within the respective regions. The Company is the largest filament yarn manufacturer, and one of the few producers of qualifying synthetic yarns, in the regions covered by these agreements.

U.S. legislation commonly referred to as the “Berry Amendment” stipulates that certain textile and apparel articles purchased by the U.S. Department of Defense must be manufactured in the U.S. and must consist of yarns and fibers produced in the U.S. The Company is the largest producer of such yarns for Berry Amendment compliant programs.

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”. On a consolidated basis, approximately 50% of the Company’s sales are sold as Compliant Yarns under the terms of the Regional FTAs or the Berry Amendment.

In the last five years, the share of apparel production for the NAFTA and CAFTA regions as a percentage of U.S. retail has stabilized at approximately 18%, while retail consumption has grown for apparel made with synthetic yarns. This trend supports the Company’s view that the remaining synthetic apparel production within these regional markets is more specialized and defensible, and, in some cases, apparel producers are bringing programs back to the regions as part of a balanced sourcing strategy of some retailers and brands.

The Company believes the requirements of the rules of origin and the associated duty-free cost advantages in the Regional FTAs, together with the Berry Amendment and the growing need for quick response and inventory turns, will ensure that a portion of the existing textile industry will remain based in the Americas. The Company expects that the NAFTA and CAFTA regions will continue to maintain their share of apparel production as a percentage of U.S. retail. Because the Company is the largest of only a few significant producers of Compliant Yarns under these Regional FTAs, one of the Company’s business strategies is to continue to leverage its eligibility status for duty-free processing to increase its share of business with regional and domestic fabric producers who ship their products into these regions.

Over the longer term, however, the textile industry in the U.S. and the NAFTA and CAFTA regions are likely to be impacted when and if negotiations are concluded for the proposed TransPacific Partnership Free Trade Agreement (“TPP”). Countries currently participating in the TPP negotiations, which have been ongoing for several years, include Australia, Brunei, Canada, Chile, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore, Vietnam and the U.S. The U.S. government has presented a yarn forward rule of origin for inclusion in the TPP, which (if accepted) would provide certain protections for textile and apparel producers in the U.S. and NAFTA and CAFTA regions, but negotiations on that and other important market access issues for textiles and apparel have not been completed. Several participants, including Vietnam, are pressing for immediate duty-free market access to these regional markets and a more liberal rule of origin, either of which would have significant adverse effects on the textile industry and apparel market in the U.S. and the NAFTA and CAFTA regions. While the completion of negotiations for the TPP (and its implementation following possible completion) is not expected to occur in the near term, numerous participants in the U.S. textile industry are actively engaged in initiatives to eliminate or reduce the likelihood of such an adverse outcome, or at least to delay the full potential of its impact. The Company’s long-term business strategies are also focused on ways to maintain the Company’s profitability when and if the TPP is concluded and implemented.

Competition

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

The Company’s major 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. in the U.S. and 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 Company’s major competitors for nylon yarns are Sapona Manufacturing Company, Inc. and McMichael Mills, Inc. in the U.S.

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, has constructed a polyester manufacturing complex located in the northeast sector of the country. Petrosuape is expected to produce PTA, polyethylene terephthalate (“PET”) resin, POY and textured polyester. Once fully operational, Petrosuape will most likely be a significant competitor because its textured polyester operations 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 the middle of calendar year 2015.

Raw Materials, 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”). (Each of UNF and UNF America is a 50/50 joint venture between the Company and Nilit.) Currently, there are numerous suppliers available to fulfill the Company’s sourcing requirements for its recycled products.

The Company produces and buys certain of its raw material fibers for Compliant Yarns from a variety of sources in 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 addition, the Company purchases nylon and polyester products for resale from various suppliers. Although the Company does not generally have difficulty in obtaining its raw material requirements, the Company has, in the past, experienced interruptions or limitations in the supply of certain raw materials.

Products and Related Markets

The Company manufactures polyester yarn and 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 yarns, and PVA and other specialty yarns in both domestic and international markets, with PVA yarns making up approximately 27% of consolidated sales for fiscal year 2014. The Company provides products to a variety of end-use markets, the principal ones of which are the apparel market, the industrial market, the furnishings market and the automotive upholstery market.

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. Generally, synthetic apparel consumed in the U.S. grows 5% to 6% per year and, over the last five years, the Regional FTAs share of supply of U.S. synthetic apparel has remained constant at approximately 18%.

The industrial market represents approximately 15% of the Company’s sales. This market includes medical, belting, tapes, filtration, ropes, protective fabrics and awnings.

The furnishings market, which includes both contract and home furnishings, represents approximately 11% of the Company’s sales. Furnishings sales are largely 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.

The Company also adds value to the overall supply chain for textile products, and increases consumer demand for the Company’s own 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 it 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 the products of well-known brands and retailers, including Ford, Haggard’s Life Khaki, Polartec, The North Face, Patagonia, Quiksilver, Volcom, REI, Perry Ellis, Sears, Macy’s, Kohl’s, Greg Norman and Belk department stores.
- **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 Softe and New Balance for certain U.S. military products.
- **Reflexx®**, a family of stretch yarns that can be found in a wide array of end-use applications, from home furnishings to performance wear and from hosiery and socks to work wear and denim.

- aio® all-in-one performance yarns combine multiple performance properties into a single yarn.
- A.M.Y. ®, a yarn with permanent antimicrobial properties for odor control.

Customers

The Company's Polyester Segment has approximately 360 customers, its Nylon Segment has approximately 160 customers and its International Segment has approximately 570 customers in a variety of geographic markets. The Company's products are manufactured based upon product specifications by the respective customers and are 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 consolidated sales are not materially dependent on a single customer or a small group of customers; no single customer accounts for ten percent or more of the Company's consolidated sales. The Company's top ten customers accounted for approximately 33% of consolidated sales for fiscal year 2014 and approximately 33% of receivables as of June 29, 2014. The Company's sales within its Nylon Segment are materially dependent upon sales to Hanesbrands, Inc., a domestic customer that accounted for approximately 32% of the Nylon Segment's sales for fiscal year 2014.

Geographic Data

Geographic information reported in conformance with generally accepted accounting principles is included in "Note 26. Business Segment Information" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Sales and Marketing

The Company employs an internal sales force of approximately 40 persons operating out of sales offices in the U.S., Brazil, China, El Salvador, Colombia and Europe. The Company relies on independent sales agents for sales in several other countries. The Company seeks to create strong customer relationships and 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 establishment of many commercial and branded programs, this strategy has been successful for the Company.

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, PVA and other specialty yarns in its polyester spinning facility located in Yadkinville, North Carolina. The POY can be sold externally or further processed internally. The Company produces recycled polyester Chip at the Repreve Recycling Center at its Yadkinville location. 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 REPREEVE®.

Additional processing of the Company's polyester yarn products includes texturing, package dyeing, twisting, beaming and draw winding. The texturing process, which is common to both polyester and nylon, involves the use of high-speed machines to draw, heat and false-twist POY to produce yarn with different 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 furnishings and apparel markets. Twisting incorporates real twist into filament yarns, which can be sold for a variety of uses, such as sewing thread, home furnishings and apparel. Beaming places both textured and covered yarns onto beams to be used by customers in warp knitting and weaving applications. The draw winding process utilizes heat and draws POY to produce mid-tenacity, flat yarns.

The Company produces its textured nylon yarn products at its Madison, North Carolina location. Additional processing of the Company's nylon yarn 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.

Research and Development

The Company employs approximately 80 persons who work closely with the Company's customers and others to develop a variety of yarns and improvements to the performance properties of existing yarns and fabrics. Among other things, the Company evaluates trends and uses the latest technology to create innovative specialty and PVA yarns that meet the needs of evolving consumer preferences. The Company also includes, as part of its research and development initiatives, the use of continuous improvement methodologies to increase its manufacturing and other operational efficiencies, both to enhance product quality and to derive cost savings. For fiscal years 2014, 2013 and 2012, the Company incurred \$7,921, \$6,938 and \$6,763, respectively, for research and development costs (including salaries and benefits of its personnel involved in those efforts) with respect to its product development or improvement initiatives.

Intellectual Property

The Company has numerous 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 U.S. registered trademarks do not expire if the trademarks are continued in use and properly protected. Repreve Renewables, LLC, in which the Company has a 60% membership interest, also has a global, exclusive license to the proprietary biomass variety, FREEDOM® Giant Miscanthus, developed by Mississippi State University.

The Company licenses certain trademarks, including Dacron® and Softec™, from INVISTA.

Employees

The Company has approximately 2,500 employees. The number of employees in the Polyester Segment, Nylon Segment, International Segment and corporate office are approximately 1,300, 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 a collective bargaining agreement.

Seasonality

The Company is not significantly impacted by seasonality. Excluding the effects of fiscal years with 53 weeks rather than 52 weeks, the most significant effects on the Company's results of operations for particular periods during a year are due to planned manufacturing shutdowns by either the Company or its customers for certain holiday or traditional shutdown periods, which are not concentrated in any one particular season.

Backlog

The Company's level of unfilled orders is affected by many factors, including the timing of specific 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 or to be material to an understanding of the Company's business as a whole.

Inflation

The Company expects costs to continue to rise for certain of the consumables that it uses to produce and ship its products, as well as for its utilities and certain employee costs and benefits. While the Company attempts to mitigate the impacts of such rising costs through its operational efficiencies and increased selling prices, inflation may become a factor that negatively impacts the Company's profitability.

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 to potential remediation obligations thereunder). These laws include 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'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 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 also 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 its domestic competitors.

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 to 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, which was from 2004 to 2008. 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 or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Repreve Renewables, LLC

Repreve Renewables, LLC (“Renewables”), in which the Company has a 60% membership interest (and which is separate from and unrelated to the Company’s REPREVE® yam products), is focused on the development and commercialization of a proprietary suite of establishment technologies and a patented plant variety, FREEDOM® Giant Miscanthus (“FGM”). Using Renewables’ technologies, FGM can be grown on marginal and underutilized land, providing feedstock for various markets, including animal bedding, biofuel, bio-power, pulp and paper, and other bio-based products. During fiscal year 2014, Renewables made significant progress in securing commercial-scale trials with leading integrators within the poultry bedding industry. Renewables’ near-term focus will be on developing the poultry bedding market, and the Company intends to assist Renewables in meeting this objective. Other information regarding Renewables is provided in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in “Note 21. Other Operating Expense, Net” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Unconsolidated Affiliates

The Company participates in two joint ventures that are suppliers to the Company’s Nylon Segment, with one located in the U.S. and one in Israel. The Company also participates in Parkdale America, LLC (“PAL”), which is a joint venture between the Company and Parkdale Incorporated (“Parkdale”) that is a domestic cotton and synthetic spun yam manufacturer. As of June 29, 2014, the Company had \$99,229 recorded for these investments in unconsolidated affiliates. For fiscal year 2014, \$19,063 of the Company’s \$47,881 of income before income taxes was generated from its investments in these unconsolidated affiliates, of which \$17,846 was attributable to PAL. Other information regarding the Company’s unconsolidated affiliates is provided in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in “Note 23. Investments in Unconsolidated Affiliates and Variable Interest Entities” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Available Information

The Company’s website is: www.unifi.com. The information on our website is available for informational purposes and convenience only, and is not incorporated by reference in this Annual Report on Form 10-K or any other filing we make with the SEC.

We make available on our website certain reports and amendments to those reports, as applicable, that the Company files with or furnishes to the SEC pursuant to the Exchange Act as soon as practicable after such material is electronically filed with or furnished to the SEC. These include our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. In addition, many of our corporate governance documents are available on our website, including our Corporate Governance and Nominating Committee Charter, our Compensation Committee Charter, our Audit Committee Charter, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, and our Ethical Business Conduct Policy Statement. Copies of such materials, as well as any of our SEC reports, may also be obtained without charge by writing to Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27419-9109, Attention: Office of the Secretary.

Item 1A. RISK FACTORS

Our business, operations and financial condition, and the textile industry in which we operate, are subject to various risks. Some of these risks are described below, but they do not constitute all of the risks that may be applicable to us, our business or our industry. New risks may emerge from time to time, and it is not possible for us to predict all potential risks or to assess with certainty the likely impact of all risks. The discussion below is intended as a summary only of certain material risk factors. More detailed information concerning certain of the risk factors described below is contained in other sections of this Annual Report on Form 10-K, including in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” You should consider all such risks in evaluating the Company or making any investment decision involving the Company.

Risks Relating to Our Business

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

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 (particularly in Brazil with respect to commodity yarn products). 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 certain customers and the characteristics of particular products determine the relative importance of these various factors. A large number of the Company’s foreign competitors have significant competitive advantages, including lower labor and raw materials costs, government subsidies, and favorable currency exchange rates against the U.S. dollar. If any of these advantages increase, or if new and/or larger competitors emerge in the future, the Company’s products could become less competitive, and its sales and profits may decrease as a result. Also, while these foreign competitors have traditionally focused on commodity production, they are now increasingly focused on value-added products, where the Company has been able to generate higher margins. The Company 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’s textured polyester operations are expected to have approximately twice the capacity of the Company’s subsidiary, Unifi do Brasil, when Petrosuape reaches full commercial production of textured polyester, which is expected by the middle of calendar year 2015. Such capacity expansion may negatively impact the synthetic textile filament market in Brazil, thereby negatively impacting the operating results of Unifi do Brasil and the Company on a consolidated basis.

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, or be able to pass on without a time lag that adversely affects the Company during one or more periods.

A significant portion of the Company’s raw materials 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. 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 been able to increase sales prices in response to increased raw material costs, the Company has not always been able to do so. The Company has lost in the past (and expects that it may lose in the future) customers to its competitors as a result of price increases. In addition, competitors may be able to obtain raw materials at a lower cost due to market regulations that favor local producers in certain foreign locations where the Company operates, and certain other market regulations that favor the Company over other producers may be amended or repealed. Additionally, inflation can have a long-term impact by increasing the costs of materials, labor and/or energy, any of which costs may adversely impact the Company’s ability to maintain satisfactory margins. If the Company is not able to fully pass on such cost increases to customers in a timely manner (or if it loses a large number of customers to competitors as a result of price increases), the result could be material and adverse to its business, financial condition, results of operations or cash flows.

The Company depends upon limited sources for certain of its raw materials, and interruptions in supply could increase its costs of production, cause production inefficiencies, or lead to a halt in production in an extreme case.

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 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 raw material for the production of Compliant Yams. These suppliers are also at risk with their raw material supply chains. Any significant disruption or curtailment in the supply of any of its raw materials could cause the Company to reduce (or cease, in an extreme case) its production for an extended period, 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 has significant foreign operations, and its consolidated results of operations may be adversely affected by the risks associated with doing business in foreign locations, including the risk of fluctuations in foreign currency exchange rates.

The Company has operations in Brazil, China, Colombia and El Salvador, and participates in a foreign joint venture located in Israel. The Company serves customers in Canada, Mexico and various countries in Europe, Central America, South America 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, 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. The Company's results of operations and business could be adversely affected as a result of a significant adverse development with respect to any of these matters.

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

Unforeseen or recurring operational problems at any of the Company's facilities may cause significant lost production.

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 equipment; the effect of noncompliance with material environmental requirements or permits; disruptions in the transportation infrastructure, including railroads, 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 Company is 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 exploring, developing and implementing various strategic business initiatives to improve the Company's competitive advantage and profitability and enhance shareholder value. These initiatives include expanding branded PVA yarns, increasing the market penetration of REPREVE® product offerings, and expanding production capabilities for recycled yarn products more generally. These activities require significant financial and management commitments, outside of day-to-day operations. If the Company is unable to implement an important 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.

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 its competitive advantage.

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 the intellectual property related to its REPREVE® 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 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 success of the Company depends on the ability of its senior management team, as well as the Company's ability to attract and retain other key personnel.

The Company's success is highly dependent on the abilities of its management team. The management team must be able to work together effectively to successfully conduct the Company's current operations, as well as implement the Company's important strategic initiatives. The Company does not have employment agreements with the members of its management team and cannot ensure investors that any of these individuals will remain with the Company. The Company does not have key man life insurance policies on any of the members of the management team. The failure to retain key managers or key members of the Company's 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.

The Economic Adjustment Assistance to Users of Upland Cotton may be discontinued, which could adversely affect PAL and thereby the Company's earnings and cash flows from that joint venture.

PAL, which is one of the Company's joint ventures, receives economic adjustment payments ("EAP") from the Commodity Credit Corporation under the Economic Adjustment Assistance to Users of Upland Cotton. 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, which would adversely affect the Company.

The Company has made (and may continue to make) investments in entities that it does not control, which subjects the Company to uncertainties about their operating performance and their ability and willingness to make distributions of profits or cash flow to the Company, and to risks from reliance on their financial information.

The Company has established joint ventures, and made minority interest investments, that the Company does not control. While these investments are designed to advance important business interests of the Company, the Company does not have majority voting control of these entities or the ability otherwise to control their policies, management or affairs. The interests of persons who control these entities may differ from the Company's, and those persons may cause an entity to take actions that are not in the Company's best interest. Among other things, the Company's inability to control these entities may adversely affect its ability to receive distributions from them or to fully implement its business plan. The incurrence of debt or entry into other agreements by any such entity may result in restrictions or prohibitions on that entity's ability to pay dividends or make other distributions to the Company. Even where such 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 investment commitment. If any of these events were to occur, the Company's business, results of operations, financial condition or cash flows could be adversely affected.

The Company also relies on accurate financial reporting from these entities for preparation of the Company's quarterly and annual financial statements. Errors in the financial information reported by these entities could be material to the Company and may require it to restate past financial statements. Any such restatements could have a material adverse effect on the Company or the market price of its common stock.

The Company requires cash to service its indebtedness and fund capital expenditures and strategic initiatives, and its ability to generate sufficient cash for those purposes depends on many factors beyond its control.

The Company's principal sources of liquidity are cash flows generated from operations and borrowings under its credit facility. The Company's ability to make payments on its indebtedness, to fund planned capital expenditures and to fund strategic initiatives will depend on its ability to generate future cash flows from operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control. The business may not generate sufficient cash flows from operations, and future borrowings may not be available to the Company in amounts sufficient, to enable the Company to pay its indebtedness and to fund its other liquidity needs. Any such development would have a material adverse effect on the Company.

Risks Relating to the Textile Industry

A decline in general economic or political conditions, and changes in consumer spending, could cause a decline in demand for textile products.

The Company's products are used in the production of fabric primarily for the apparel, hosiery, home furnishings, automotive, industrial and other similar end-use markets. Demand for furniture and durable goods is often affected significantly by economic conditions that have global or regional industry-wide consequences. Demand for a number of categories of apparel also tends to be tied to economic cycles and customer preferences that affect the textile industry generally. Demand for textile products, therefore, tends to vary with the business cycles of the U.S. and other economies, as well as changes in global trade flows, and economic and political conditions.

Changes in the trade regulatory environment could weaken the Company's competitive position significantly and have a material adverse effect on its business.

A number of markets within the textile industry in which the Company sells its products – particularly the apparel, hosiery and home furnishings markets – are subject to intense foreign competition. Other markets within 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 or duties may make the price of the Company's products less attractive 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.

An increase of illegal transshipments of textile and apparel goods into the U.S. (or into the NAFTA or CAFTA regions) 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 into certain other countries in the NAFTA and CAFTA regions. Such illegal transshipments, at whatever level they reach, may negatively impact the markets in which the Company competes. Illegal transshipment involves circumventing duties by falsely claiming that textiles and apparel are products 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 if enforcement is not effective to limit them, these shipments could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The outcome of negotiations for a trade agreement among the TPP participating countries is unpredictable and could lead to provisions that materially and adversely affect the U.S. textile industry and apparel market in future years.

The U.S. government is engaged in negotiations that have been ongoing for several years relating to the TPP. Other countries participating in the TPP negotiations include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Several of these countries, including Vietnam, are seeking immediate duty-free treatment (or the lack of a yarn forward rule of origin) in the final TPP with respect to yarns, fabrics and most apparel. Such an outcome in the TPP, when and if the TPP is concluded and implemented, could materially and adversely affect the U.S. textile industry and apparel market and Western Hemisphere supply chains in future years.

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: 61 – Mr. Jasper has been Chairman of the Board since February 2011 and Chief Executive Officer since September 2007. From September 2007 to February 2011, he was also President of the Company. Mr. Jasper joined the Company in September 2004, was appointed as the General Manager of the Polyester Division in June 2005, and in April 2006 was promoted to Vice President of Sales. Prior to joining the Company, he was the Director of INVISTA's Dacron® polyester filament business. Before working at INVISTA, Mr. Jasper had held various management positions in operations, technology, sales and business for DuPont since 1980. He has been a member of the Board since September 2007 and is Chair of the Board's Executive Committee.

President and Chief Operating Officer

R. ROGER BERRIER — Age: 45 – Mr. Berrier has been President and Chief Operating Officer since February 2011. Mr. Berrier had been the Executive Vice President of Sales, Marketing and Asian Operations of the Company from September 2007 until his promotion in 2011. Prior to 2007, Mr. Berrier had been Vice President of Commercial Operations (since April 2006) and 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 had held various other management positions within operations, including international operations, machinery technology, research and development and quality control before assuming the above positions. He has been a member of the Board since September 2007 and is a member of the Board's Executive Committee.

Vice President and Chief Financial Officer

JAMES M. OTTERBERG — Age: 43 — Mr. Otterberg has been Vice President and Chief Financial Officer since October 23, 2013, having served as interim Chief Financial Officer from August 12, 2013. Mr. Otterberg is also the Company's principal accounting officer, a role he has held since October 2011. Mr. Otterberg was employed by the Company's principal operating subsidiary, Unifi Manufacturing, Inc. ("UMI"), from June 2011 to October 2013 as its Vice President and Chief Accounting Officer, and previously from October 1999 to December 2003 as Director – Joint Ventures and Alliances and Corporate Financial Analyst. Mr. Otterberg also held various financial positions for Polymer Group, Inc. from 2004 to 2011, including Vice President – Finance U.S. from February 2008 through May 2011.

Vice President of Manufacturing

THOMAS H. CAUDLE, JR. — Age: 62 — Mr. Caudle has been the Company's Vice President of Manufacturing since October 2006. Before that time, he was Vice President of Global Operations of the Company (from April 2003 until October 2006), UMI's Senior Vice President in charge of manufacturing (since July 2000) and Vice President of Manufacturing Services (since January 1999). Mr. Caudle has been an employee of the Company since 1982.

Each of the executive officers was reelected (or elected, in the case of Mr. Otterberg) to his current position by the Board at its meeting on October 23, 2013. Each executive officer serves in his position at the pleasure of the Board. 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 contains information about the principal properties owned or leased by the Company as of June 29, 2014:

Location	Description
Polyester Segment Properties	
<i>Domestic</i>	
Yadkinville, NC	Five plants and four warehouses (1)
Reidsville, NC	One plant (1)
<i>Foreign</i>	
Ciudad Arce, El Salvador	One plant and one warehouse (2)
Nylon Segment Properties	
<i>Domestic</i>	
Madison, NC	One plant and one warehouse (1)
<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) and one warehouse (2)
(1) Owned in fee simple	
(2) Leased facilities	

In addition to the above properties, the Company owns property located at 7201 West Friendly Avenue in Greensboro, North Carolina, which includes a building that serves as the Company's corporate headquarters and administrative offices for all of its segments and a sales office. Such property consists of a tract of land containing approximately nine acres, and the building contains approximately 100,000 square feet.

As of June 29, 2014, the Company owned approximately 4.4 million square feet of manufacturing, warehouse and office space. In addition, Repreve Renewables, LLC leases approximately 1,500 acres of farm land located primarily in Georgia, North Carolina and Mississippi.

Management believes all of the Company’s operating properties are well maintained and in good condition. In fiscal year 2014, 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 to 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 "UFL." The following table sets forth the closing, high and low sales prices of the common stock for the Company's two most recent fiscal years.

	Close	High	Low
Fiscal year 2014:			
First quarter ended September 29, 2013	\$ 23.63	\$ 24.26	\$ 20.47
Second quarter ended December 29, 2013	27.40	27.97	22.24
Third quarter ended March 30, 2014	22.33	27.58	20.82
Fourth quarter ended June 29, 2014	27.52	28.52	20.76
Fiscal year 2013:			
First quarter ended September 23, 2012	\$ 11.98	\$ 12.36	\$ 10.44
Second quarter ended December 23, 2012	13.48	14.13	11.90
Third quarter ended March 24, 2013	18.71	19.30	11.28
Fourth quarter ended June 30, 2013	20.67	22.53	17.18

As of September 3, 2014, there were 281 record holders of the Company's common stock. A significant number of the outstanding shares of common stock that 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 3,973 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 "Note 12. Long-Term Debt" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Purchases of Equity Securities

On January 22, 2013, the Board approved a stock repurchase program (the "2013 SRP") to acquire up to \$50,000 of the Company's common stock. The Company completed its repurchase of shares under the 2013 SRP in March 2014.

On April 23, 2014, the Board approved a new stock repurchase program (the "2014 SRP") to acquire up to an additional \$50,000 of the Company's common stock. Under the 2014 SRP (as was the case under the 2013 SRP), the Company has been authorized to repurchase shares at prevailing market prices, through open market purchases or privately negotiated transactions at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases are expected to be financed through cash generated from operations and borrowings, and are subject to applicable limitations and restrictions as set forth in the credit agreement governing the Company's debt obligations. The 2014 SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

Through September 3, 2014, the Company has repurchased 2,592 shares of common stock at a total cost of \$55,866, including all associated commission costs, since the inception of the 2013 SRP and the 2014 SRP.

The following table summarizes the Company's purchases of its common stock during the fiscal quarter ended June 29, 2014, all of which were made under the 2014 SRP.

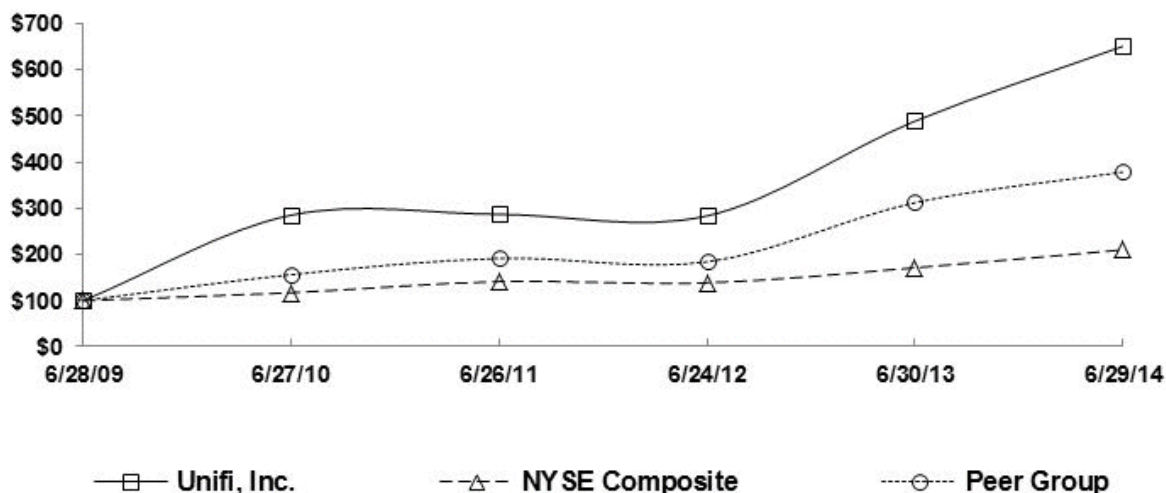
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
3/31/14 – 4/29/14	25	\$ 21.82	25	\$ 49,446
4/30/14 – 5/29/14	150	\$ 22.71	150	46,032
5/30/14 – 6/29/14	76	\$ 24.62	76	44,169
Total	<u>251</u>	<u>\$ 23.19</u>	<u>251</u>	

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 28, 2009 and reinvestment of dividends. Including the Company, the Peer Group consists of eleven publicly traded textile companies, the other ten of which are: Albany International Corp., Culp, 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.

All per share prices of the Company's common stock have been retroactively adjusted to reflect the Company's November 3, 2010 1-for-3 reverse stock split.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN* Among Unifi, Inc., the NYSE Composite Index, and a Peer Group



*\$100 invested on 6/28/09 in stock or index, including reinvestment of dividends.
Fiscal year ending June 29, 2014.

	June 28, 2009	June 27, 2010	June 26, 2011	June 24, 2012	June 30, 2013	June 29, 2014
Unifi, Inc.	\$ 100.00	\$ 285.11	\$ 286.76	\$ 283.45	\$ 488.65	\$ 650.59
NYSE Composite	100.00	117.17	141.25	138.50	171.10	209.92
Peer Group	100.00	156.25	191.51	183.95	312.05	378.39

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 29, 2014	June 30, 2013	June 24, 2012	June 26, 2011	June 27, 2010
Number of fiscal weeks	52	53	52	52	52
Operations Data:					
Net sales	\$ 687,902	\$ 713,962	\$ 705,086	\$ 712,812	\$ 622,618
Gross profit	83,262	73,104	54,396	74,652	73,251
Selling, general and administrative expenses	46,203	47,386	43,482	44,659	47,934
Operating income	31,483	22,463	8,632	28,692	25,388
Interest expense	4,329	4,489	16,073	19,190	21,889
Equity in earnings of unconsolidated affiliates	(19,063)	(11,444)	(19,740)	(24,352)	(11,693)
Income from continuing operations before income taxes	47,881	29,014	8,849	32,422	18,371
Provision (benefit) for income taxes (1)	20,161	13,344	(1,979)	7,333	7,686
Income from continuing operations, net of tax	27,720	15,670	10,828	25,089	10,685
Net income attributable to Unifi, Inc. (2)	28,823	16,635	11,491	25,089	10,685
Per common share:					
Net income from continuing operations attributable to Unifi, Inc.					
Basic (3)	\$ 1.52	\$ 0.84	\$ 0.57	\$ 1.25	\$ 0.53
Diluted (3)	\$ 1.47	\$ 0.80	\$ 0.56	\$ 1.22	\$ 0.52
Cash Flow Data:					
Net cash provided by operating activities	\$ 56,357	\$ 50,509	\$ 43,309	\$ 11,880	\$ 20,581
Depreciation and amortization expenses	17,896	24,584	27,135	25,977	27,416
Capital expenditures	19,091	8,809	6,354	20,539	13,112
Distributions received from unconsolidated affiliates	13,214	14,940	10,616	5,900	3,265
Share repurchases (4)	36,551	19,315	—	—	—
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —
	June 29, 2014	June 30, 2013	June 24, 2012	June 26, 2011	June 27, 2010
Balance Sheet Data:					
Cash and cash equivalents	\$ 15,907	\$ 8,755	\$ 10,886	\$ 27,490	\$ 42,691
Property, plant and equipment, net	123,802	115,164	127,090	151,027	151,499
Total assets	469,067	455,466	482,233	537,376	504,512
Total debt	99,488	97,753	121,552	168,664	179,390
Total shareholders' equity	286,738	286,480	290,780	299,655	259,896
Working capital (5)	150,925	161,885	166,485	212,969	174,464

(1) For fiscal year 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.

(2) Amounts are net of non-controlling interest for the years presented.

(3) All amounts per share have been retroactively adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.

(4) Share repurchases represent common stock repurchased and retired under publicly announced programs.

(5) Working capital represents current assets less current liabilities.

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

Overview and Significant General Matters

The Company processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and PVA yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include Chip, POY, textured, solution and package dyed, twisted, beamed and draw wound yarns; each is available in virgin or recycled varieties (the latter made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles). The Company's nylon products include textured, solution dyed and covered spandex products.

The Company maintains one of the textile industry's most comprehensive yarn product offerings, and it has ten manufacturing operations in four countries and participates in joint ventures in Israel and the U.S. The Company's principal geographic markets for its products are located in the U.S., Canada, Mexico, Central America and South America. In addition, the Company has a wholly-owned subsidiary in China focused on the sale and promotion of the Company's PVA and other specialty products in the Asian textile market, primarily in China, as well as in the European market. The Company has three operating segments which are also its reportable segments: the Polyester Segment, the Nylon Segment and the International Segment.

For the fifth consecutive fiscal year, the Company reported net income, which was \$28,823 or \$1.52 per basic share for fiscal year 2014, as our Polyester and Nylon Segments improved significantly, driven by growth in PVA products as part of our continued mix enrichment strategy, and lower polyester raw material costs. Our International Segment, which did not meet expectations but showed improvement as the year progressed, was impacted negatively by lower margins in Brazil due to price pressures from competing imported yarn and the devaluation of the Brazilian currency and lower sales volumes by our Chinese subsidiary due primarily to soft market conditions.

Core Business Strategies

The Company remains committed to making improvements to its core business, growing the market for its value-added products, and generating positive cash flow from operations to fund select strategic growth opportunities and share repurchases. The Company's core strategies include: continuously improving all operational and business processes; enriching our product mix by aggressively growing our PVA products and increasing our market share of compliant yarns; deriving value from sustainability based initiatives, including polyester and nylon recycling; increasing sales in global growth markets, including Central America, Brazil, and China; and maintaining our beneficial joint venture relationships. The Company expects to continue to focus on these strategies through investments in select product and geographic growth opportunities related to its core business.

PVA Products and REPREVE®

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. The Company believes it can continue to increase its PVA sales as a percentage of its overall sales volume and grow its global PVA sales, by approximately 10-12% per year, to create overall mix enrichment and margin gains. The Company's PVA products represent approximately 27%, 25% and 24% of consolidated sales for fiscal years 2014, 2013 and 2012, respectively. The Company's strategy of enriching its product mix through a focus on PVA products helps insulate it from the pressures of imports of low-priced commodity yarn and helps to establish the Company as an innovation leader in its core markets. REPREVE® is the flagship brand in the Company's PVA portfolio, and continues to grow at a faster pace than other PVA products. The increasing success and consumer awareness of our REPREVE® brand continues to provide new opportunities for growth, allowing us to expand into new end-uses and markets for REPREVE®, as well as continuing to grow the brand with current customers.

PVA Expansion and Capital Spending

During fiscal year 2014, we spent \$19,091 on capital expenditures, which included completing the installation of our second recycling center expansion, adding 30 million pounds of annual capacity. The Company expects capital expenditures to double for fiscal year 2015. We expect to increase our polyester yarn capacity by adding texturing machines at the Company's locations in Yadkinville, North Carolina, Madison, North Carolina and El Salvador and to improve our manufacturing flexibility, including small production run capabilities. These initiatives are designed to support the Company's mix enrichment strategies, while also improving our ability to better service customers and handle an increasingly complex product mix. In addition, to further leverage the continued success and growth of REPREVE® and to secure our future supply of plastic bottles, the Company is also exploring potential backward integration opportunities into bottle washing.

Stock Repurchases

In March 2014, the Company completed the \$50,000 stock repurchase program approved by the Board of Directors (“Board”) in January 2013. In April 2014, the Board approved a new stock repurchase program to acquire up to an additional \$50,000 of the Company’s common stock. During fiscal year 2014, the Company repurchased a total of 1,524 shares, at an average price of \$23.96, under these repurchase programs. (As of September 3, 2014, the Company repurchased a total of 2,592 shares at an average price of \$21.54.) The Company will continue to evaluate opportunities to use excess cash flow from operations or existing borrowings to repurchase additional stock under the new repurchase program, while maintaining sufficient liquidity to support its operational needs and fund future strategic growth opportunities.

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;
- unit conversion margin, which represents unit net sales price less unit raw material costs, for the Company and for each of its reportable segments;
- gross profit and gross margin for the Company and for each of its reportable segments;
- Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”), which represents net income or loss attributable to Unifi, Inc. before net interest expense, income tax expense and depreciation and amortization expense;
- Adjusted EBITDA Including Equity Affiliates, which represents EBITDA adjusted to exclude non-cash compensation expense, gains or losses on extinguishment of debt, loss on previously held equity interest and certain other adjustments. Such other adjustments include operating expenses for Reprove Renewables, restructuring charges and start-up costs, gains or losses on sales or disposals of property, plant and equipment, currency and derivative gains or losses, and other operating or non-operating income or expense items necessary to understand and compare the underlying results of the Company;
- Adjusted EBITDA, which represents Adjusted EBITDA Including Equity Affiliates adjusted to exclude equity in earnings and losses of unconsolidated affiliates (the Company may, from time to time, change the items included within Adjusted EBITDA);
- Segment Adjusted Profit, which 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), which is an indicator of the Company’s production efficiency and ability to manage its inventory and receivables; and
- Working capital, which 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 calculations 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 determined in accordance with generally accepted accounting principles (“GAAP”) and should not be considered a substitute for performance measures determined in accordance with GAAP.

Results of Operations

Fiscal years 2014, 2013 and 2012 are comprised of 52 weeks, 53 weeks and 52 weeks, respectively. The following table presents a summary of net income attributable to Unifi, Inc.:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Net sales	\$ 687,902	\$ 713,962	\$ 705,086
Cost of sales	604,640	640,858	650,690
Gross profit	83,262	73,104	54,396
Selling, general and administrative expenses	46,203	47,386	43,482
Provision (benefit) for bad debts	287	(154)	211
Other operating expense, net	5,289	3,409	2,071
Operating income	31,483	22,463	8,632
Interest expense, net	2,539	3,791	14,152
Loss on extinguishment of debt	—	1,102	3,203
Loss on previously held equity interest	—	—	3,656
Other non-operating expense (income)	126	—	(1,488)
Equity in earnings of unconsolidated affiliates	(19,063)	(11,444)	(19,740)
Income before income taxes	47,881	29,014	8,849
Provision (benefit) for income taxes	20,161	13,344	(1,979)
Net income including non-controlling interest	27,720	15,670	10,828
Less: net (loss) attributable to non-controlling interest	(1,103)	(965)	(663)
Net income attributable to Unifi, Inc.	<u>\$ 28,823</u>	<u>\$ 16,635</u>	<u>\$ 11,491</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 29, 2014	June 30, 2013	June 24, 2012
Net income attributable to Unifi, Inc.	\$ 28,823	\$ 16,635	\$ 11,491
Provision (benefit) for income taxes	20,161	13,344	(1,979)
Interest expense, net	2,539	3,791	14,152
Depreciation and amortization expense	17,334	23,860	26,225
EBITDA	<u>\$ 68,857</u>	<u>\$ 57,630</u>	<u>\$ 49,889</u>
Loss on extinguishment of debt	—	1,102	3,203
Loss on previously held equity interest	—	—	3,656
Non-cash compensation expense	2,690	2,287	2,382
Operating expenses for Renewables	1,440	1,293	911
Restructuring charges, net	1,273	813	71
Foreign currency transaction losses (gains)	504	(132)	270
Net loss on sale or disposal of assets	475	243	369
Other, net	1,420	858	(1,211)
Adjusted EBITDA Including Equity Affiliates	<u>\$ 76,659</u>	<u>\$ 64,094</u>	<u>\$ 59,540</u>
Equity in earnings of unconsolidated affiliates	(19,063)	(11,444)	(19,740)
Adjusted EBITDA	<u>\$ 57,596</u>	<u>\$ 52,650</u>	<u>\$ 39,800</u>

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Adjusted EBITDA	\$ 57,596	\$ 52,650	\$ 39,800
Non-cash compensation expense	(2,690)	(2,287)	(2,382)
Provision (benefit) for bad debts	287	(154)	211
Bad debt recovery adjustment	—	383	—
Other, net (excluding depreciation)	(135)	(174)	(292)
Segment Adjusted Profit	<u>\$ 55,058</u>	<u>\$ 50,418</u>	<u>\$ 37,337</u>

Segment Adjusted Profit by reportable segment is as follows:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 30,696	\$ 23,900	\$ 12,913
Nylon	12,801	11,437	11,227
International	<u>11,561</u>	<u>15,081</u>	<u>13,197</u>

Total Segment Adjusted Profit

\$ 55,058 \$ 50,418 \$ 37,337

Selected financial information for the Polyester, Nylon and International Segments is presented below:

	For the Fiscal Year Ended June 29, 2014			
	Polyester	Nylon	International	Total
Net sales	\$ 389,172	\$ 163,824	\$ 134,906	\$ 687,902
Cost of sales	342,393	143,649	118,598	604,640
Gross profit	46,779	20,175	16,308	83,262
Selling, general and administrative expenses	28,422	9,531	8,250	46,203
Restructuring charges (recoveries)	356	(24)	—	332
Other operating expense, net	82	—	—	82
Segment operating profit	\$ 17,919	\$ 10,668	\$ 8,058	\$ 36,645

	For the Fiscal Year Ended June 30, 2013			
	Polyester	Nylon	International	Total
Net sales	\$ 398,707	\$ 164,085	\$ 151,170	\$ 713,962
Cost of sales	363,545	146,033	131,280	640,858
Gross profit	35,162	18,052	19,890	73,104
Selling, general and administrative expenses	29,114	9,930	8,342	47,386
Restructuring recoveries	—	(135)	—	(135)
Other operating expense, net	—	42	—	42
Segment operating profit	\$ 6,048	\$ 8,215	\$ 11,548	\$ 25,811

	For the Fiscal Year Ended June 24, 2012			
	Polyester	Nylon	International	Total
Net sales	\$ 393,981	\$ 163,103	\$ 148,002	\$ 705,086
Cost of sales	374,308	146,147	130,235	650,690
Gross profit	19,673	16,956	17,767	54,396
Selling, general and administrative expenses	25,668	8,851	8,963	43,482
Restructuring charges	—	71	—	71
Segment operating (loss) profit	\$ (5,995)	\$ 8,034	\$ 8,804	\$ 10,843

The reconciliations of segment depreciation and amortization expense to consolidated depreciation and amortization expense are as follows:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 11,702	\$ 17,234	\$ 19,046
Nylon	2,276	3,070	3,089
International	3,151	3,418	4,011
Segment depreciation and amortization expense	17,129	23,722	26,146
Depreciation and amortization included in other operating expense, net	343	230	119
Amortization included in interest expense	424	632	870
Depreciation and amortization expense	\$ 17,896	\$ 24,584	\$ 27,135

Segment other adjustments for each of the reportable segments consist of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 637	\$ 618	\$ (138)
Nylon	(119)	245	33
International	352	115	382
Segment other adjustments	\$ 870	\$ 978	\$ 277

Segment other adjustments include severance charges, restructuring charges and recoveries, start-up costs and other adjustments necessary to understand and compare the underlying results of the segment.

Review of Fiscal Year 2014 Results of Operations Compared to Fiscal Year 2013

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 presented in the table below. Fiscal year 2014 is comprised of 52 weeks, while fiscal year 2013 contained 53 weeks.

	For the Fiscal Years Ended				% Change
	June 29, 2014	% of Net Sales	June 30, 2013	% of Net Sales	
Net sales	\$ 687,902	100.0	\$ 713,962	100.0	(3.7)
Cost of sales	604,640	87.9	640,858	89.8	(5.7)
Gross profit	83,262	12.1	73,104	10.2	13.9
Selling, general and administrative expenses	46,203	6.7	47,386	6.6	(2.5)
Provision (benefit) for bad debts	287	—	(154)	—	(286.4)
Other operating expense, net	5,289	0.8	3,409	0.5	55.1
Operating income	31,483	4.6	22,463	3.1	40.2
Interest expense, net	2,539	0.4	3,791	0.5	(33.0)
Loss on extinguishment of debt	—	—	1,102	0.1	(100.0)
Other non-operating expense	126	—	—	—	—
Earnings from unconsolidated affiliates	(19,063)	(2.8)	(11,444)	(1.6)	66.6
Income before income taxes	47,881	7.0	29,014	4.1	65.0
Provision for income taxes	20,161	3.0	13,344	1.9	51.1
Net income including non-controlling interest	27,720	4.0	15,670	2.2	76.9
Less: net (loss) attributable to non-controlling interest	(1,103)	(0.2)	(965)	(0.1)	14.3
Net income attributable to Unifi, Inc.	<u>\$ 28,823</u>	<u>4.2</u>	<u>\$ 16,635</u>	<u>2.3</u>	73.3

Consolidated Net Sales

Net sales for fiscal year 2014 decreased by \$26,060, or 3.7%, as compared to the prior fiscal year. The decrease was driven by (i) the impact of the additional week of sales included in fiscal year 2013 for operations in the U.S. and El Salvador and (ii) a decline in the International Segment due to competition from low-priced Asian imports, weaker market conditions in China and unfavorable currency translation effects. The decrease was partially offset by improvements in pricing and continued growth for the Company's PVA products.

Consolidated sales volume decreased by 3.7% due to lower sales volumes in all reportable segments. Polyester Segment volumes declined 4.0% due to one less week in fiscal 2014, a finer denier sales mix and a shift away from low-margin commodity yarns. Nylon Segment volumes declined only 1.6% as the success of new PVA programs helped to offset the impact of one less sales week. International Segment volumes declined 3.7% due to soft market conditions for the Asian market, driving lower volumes in China, and cheaper yarn imports creating competitive challenges in Brazil.

Consolidated sales pricing was unchanged from the prior year due primarily to the success of PVA programs and higher-margin product sales, offset by unfavorable currency translation effects in the International Segment. Pricing improvements of 1.6% and 1.4% in the Polyester and Nylon Segments, respectively, were related to mix enrichment efforts and increased PVA product sales. International Segment pricing was primarily impacted by unfavorable currency translation effects as a result of the weakening of the Brazilian Real against the U.S. dollar.

Consolidated Gross Profit

Gross profit for fiscal year 2014 increased by \$10,158, or 13.9%, as compared to the prior fiscal year. The overall changes in gross profit were due to the fluctuation in sales volumes and pricing described above, lower average polyester raw material costs and a decrease in domestic depreciation expense, partially offset by one less sales week for certain of the Company's operations and the negative impact of currency translation in the International Segment.

In the Polyester and Nylon Segments, depreciation expense decreased by a total of \$6,401 as compared to the prior fiscal year due to the timing at which certain assets in each segment became fully depreciated. Unfavorable currency translation, primarily in the International Segment, negatively impacted gross profit by \$1,605. Further details regarding the changes in net sales and gross profit from the prior fiscal year follow.

Polyester Segment

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				% Change
	June 29, 2014	% of Net Sales	June 30, 2013	% of Net Sales	
Net sales	\$ 389,172	100.0	\$ 398,707	100.0	(2.4)
Cost of sales	342,393	88.0	363,545	91.2	(5.8)
Gross profit	<u>\$ 46,779</u>	<u>12.0</u>	<u>\$ 35,162</u>	<u>8.8</u>	<u>33.0</u>

A reconciliation of the changes in net sales from fiscal year 2013 to fiscal year 2014 for the Polyester Segment is as follows:

Net sales for the fiscal year ended June 30, 2013	\$ 398,707
Decrease in sales volumes	(10,753)
Decrease due to an additional week of sales in fiscal year 2013	(7,826)
Improved pricing and mix	5,381
Acquisition of draw winding business	3,663
Net sales for the fiscal year ended June 29, 2014	<u>\$ 389,172</u>

The overall decrease in net sales is primarily attributable to a decrease in volumes due to a shift away from commodity-based to value-added product offerings, a finer denier sales mix and 53 weeks of sales in fiscal year 2013 compared to 52 weeks in fiscal year 2014. These decreases were offset by (i) improved pricing and mix as a result of the shift to higher-margin value-added products and (ii) the acquisition of a draw winding business in December 2013. The draw winding acquisition increases the Company's polyester production capacity and has allowed the Company to expand its presence in targeted industrial, belting, hose and thread markets by increasing its product offerings to include mid-tenacity, flat yarns.

A reconciliation of the changes in gross profit from fiscal year 2013 to fiscal year 2014 for the Polyester Segment is as follows:

Gross profit for the fiscal year ended June 30, 2013	\$ 35,162
Improvements in underlying operating margins	7,902
Decrease in depreciation expense	5,594
Decrease in sales volumes	(942)
Decrease due to an additional week of sales in fiscal year 2013	(937)
Gross profit for the fiscal year ended June 29, 2014	<u>\$ 46,779</u>

The increase in gross profit was primarily a result of a higher-margin sales mix driven by PVA programs with a shift away from commodity-based products, lower average raw material costs and lower depreciation expense due to certain machinery and equipment within the Yadkinville, North Carolina spinning facility becoming fully depreciated (predominantly equipment placed in service in 1998 with a depreciable life of fifteen years). These favorable changes were partially offset by lower sales volumes resulting from the Segment's shift towards more value-added products, along with the impact of one less sales week in fiscal year 2014 as compared to fiscal year 2013.

Polyester Segment net sales and gross profit as a percentage of total consolidated amounts were 56.6% and 56.2% for fiscal year 2014, compared to 55.8% and 48.1% for fiscal year 2013, respectively.

Nylon Segment

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				% Change
	June 29, 2014		June 30, 2013		
	\$	% of Net Sales	\$	% of Net Sales	
Net sales	\$ 163,824	100.0	\$ 164,085	100.0	(0.2)
Cost of sales	143,649	87.7	146,033	89.0	(1.6)
Gross profit	\$ 20,175	12.3	\$ 18,052	11.0	11.8

A reconciliation of the changes in net sales from fiscal year 2013 to fiscal year 2014 for the Nylon Segment is as follows:

Net sales for the fiscal year ended June 30, 2013	\$ 164,085
Improved pricing and mix	2,617
Increase in sales volumes	784
Decrease due to an additional week of sales in fiscal year 2013	(3,279)
Negative currency translation effects	(383)
Net sales for the fiscal year ended June 29, 2014	\$ 163,824

The slight decrease in net sales is attributable to the impact of 53 weeks of sales in fiscal year 2013 compared to 52 weeks in fiscal year 2014 and negative currency translation effects due to the weakening of the Colombian Peso against the U.S. Dollar, partially offset by an improved pricing and sales mix resulting from the benefits of new PVA products with higher sales pricing and an increase in sales volumes due to the success of PVA programs.

A reconciliation of the changes in gross profit from fiscal year 2013 to fiscal year 2014 for the Nylon Segment is as follows:

Gross profit for the fiscal year ended June 30, 2013	\$ 18,052
Improvements in underlying operating margins	1,697
Decrease in depreciation expense	807
Increase in sales volumes	85
Decrease due to an additional week of sales in fiscal year 2013	(364)
Negative currency translation effects	(102)
Gross profit for the fiscal year ended June 29, 2014	\$ 20,175

The increase in gross profit was primarily due to improved margins associated with new PVA programs, a decrease in depreciation expense and an increase in sales volumes when excluding the impact of the additional week of sales in fiscal year 2013. The decrease in depreciation expense is due to certain assets within the Madison, North Carolina facility becoming fully depreciated. These favorable changes were partially offset by one less sales week in fiscal year 2014 as compared to fiscal year 2013 and unfavorable currency translation effects.

Nylon Segment net sales and gross profit as a percentage of total consolidated amounts were 23.8% and 24.2% for fiscal year 2014, compared to 23.0% and 24.7% for fiscal year 2013, respectively.

International Segment

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				% Change
	June 29, 2014		June 30, 2013		
	\$	% of Net Sales	\$	% of Net Sales	
Net sales	\$ 134,906	100.0	\$ 151,170	100.0	(10.8)
Cost of sales	118,598	87.9	131,280	86.8	(9.7)
Gross profit	\$ 16,308	12.1	\$ 19,890	13.2	(18.0)

A reconciliation of the changes in net sales from fiscal year 2013 to fiscal year 2014 for the International Segment is as follows:

Net sales for the fiscal year ended June 30, 2013	\$ 151,170
Negative currency translation effects	(12,799)
Decrease in sales volumes	(5,113)
Improved pricing and mix	1,648
Net sales for the fiscal year ended June 29, 2014	\$ 134,906

The overall decrease in net sales is primarily attributable to the unfavorable devaluation of the Brazilian Real versus the U.S. Dollar of approximately 12% and a decrease in sales volumes for China, which were partially offset by an improvement in pricing in Brazil (excluding the effects of currency translation, net sales in Brazil increased by 2% on a local currency basis). Brazil operated under challenging conditions during fiscal year 2014, as excess capacity of yam manufacturers in Asia led to increased competition and pricing pressures from cheaper imported polyester textured yams. Softer market conditions led to the sales volume decline in China.

A reconciliation of the changes in gross profit from fiscal year 2013 to fiscal year 2014 for the International Segment is as follows:

Gross profit for the fiscal year ended June 30, 2013	\$ 19,890
Negative currency translation effects	(1,503)
Declines in underlying operating margins	(1,400)
Decrease in sales volumes	(679)
Gross profit for the fiscal year ended June 29, 2014	<u>\$ 16,308</u>

Lower gross profit results for the Company's Brazilian subsidiary can be attributed to the weakened Brazilian Real versus the U.S. dollar, pricing pressures from low-priced yam imports and the reduction of certain tax incentives for local producers. Competitive pricing pressures, low operating rates and soft market conditions in China also drove a gross profit decline for the Company's Chinese subsidiary. Although net sales increased \$1,648 due to improved sales pricing and mix, a corresponding increase in gross profit was not realized due to declines in underlying operating margins.

International Segment net sales and gross profit as a percentage of total consolidated amounts were 19.6% and 19.6% for fiscal year 2014, compared to 21.2% and 27.2% for fiscal year 2013, respectively.

Consolidated Selling, General & Administrative Expenses

A reconciliation of the changes in selling, general and administrative ("SG&A") expenses from fiscal year 2013 to fiscal year 2014 is as follows:

Selling, general and administrative expenses for the fiscal year ended June 30, 2013	\$ 47,386
Decrease in one-time consumer marketing and branding expenses	(771)
Decrease due to one less week in fiscal year 2014	(680)
Decrease due to currency translation effects	(644)
Decrease in sales commissions and service fees	(360)
Increase in employee costs	644
Increase in non-cash compensation	403
Increase in depreciation and amortization expenses	99
Other	126
Selling, general and administrative expenses for the fiscal year ended June 29, 2014	<u>\$ 46,203</u>

Total SG&A expenses were slightly lower versus the prior year, with offsetting changes among various components, including (as quantified in the table above): (i) a decrease in various advertising and promotional expenses due to the timing of certain events, (ii) decreases due to currency translation effects primarily attributable to the weakening of the Brazilian Real against the U.S. Dollar, (iii) an additional week in fiscal year 2013, and (iv) a decrease in sales commission and service fees primarily due to the termination of a sales service agreement with Dillon Yarn Corporation, which were partially offset by (v) an increase in employee costs attributable to annual wage increases, higher variable compensation expenses and increasing fringe benefit costs and (vi) an increase in non-cash compensation primarily due to an increase in the fair value of awards granted in connection with the higher price of the Company's common stock on the respective grant dates.

Consolidated Provision (Benefit) for Bad Debts

The provision for bad debt expense was \$287 for fiscal year 2014, as compared to a benefit of \$154 for fiscal year 2013. In fiscal year 2013, the Company received a \$383 recovery of accounts previously written off.

Consolidated Other Operating Expense, Net

Other operating expense, net increased \$1,880 from \$3,409 for fiscal year 2013 to \$5,289 for fiscal year 2014. The increase is related to (i) a year-over-year increase of \$636 for foreign currency transaction losses, primarily attributable to the devaluation of the Brazilian Real, (ii) increased operating expenses for Renewables of \$353 due to the expansion of Miscanthus crop fields, bedding trials conducted at poultry houses and increased depreciation and amortization expense, (iii) \$356 for the relocation and reinstallation of certain manufacturing equipment within the Polyester Segment and (iv) an increase of \$535 for other charges, including losses on the sale or disposal of assets and accretion expense applicable to a contingent consideration liability.

The components of other operating expense are further detailed in “Note 21. Other Operating Expense, Net” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Consolidated Interest Expense, Net

Interest expense, net decreased from \$3,791 for fiscal year 2013 to \$2,539 for fiscal year 2014, and is comprised of interest expense and interest income. Interest expense, net consists of the following:

	For the Fiscal Years Ended	
	June 29, 2014	June 30, 2013
Interest on ABL Facility	\$ 3,292	\$ 3,673
Interest on Term B Loan	—	722
Other	192	107
Subtotal	3,484	4,502
Amortization of debt financing fees	424	632
Mark-to-market adjustment for interest rate swap	39	(931)
Reclassification adjustment for interest rate swap	554	322
Interest capitalized to property, plant and equipment, net	(172)	(36)
Subtotal	845	(13)
Total interest expense	4,329	4,489
Interest income	(1,790)	(698)
Interest expense, net	\$ 2,539	\$ 3,791

The decline in total interest expense was due to a lower average outstanding debt balance of \$99,183 and a lower weighted average interest rate of 3.1%, offset primarily by an unfavorable year-over-year change in the mark-to-market adjustment for an interest rate swap of \$970. The \$9,678 decrease in the average outstanding debt balance was primarily a result of increased payments on the Company’s revolving credit facility, offset by the addition of capital lease obligations in fiscal year 2014. The weighted average interest rate for the Company’s outstanding debt obligations declined from 3.8% for fiscal year 2013 to 3.1% for fiscal year 2014 primarily as a result of the prepayment of the Term B Loan during fiscal year 2013.

The increase in interest income in fiscal year 2014 relates primarily to \$1,084 of interest received related to the settlement of a judicial claim involving the Company’s Brazilian subsidiary and \$141 of interest received on the return of a deposit with a domestic utility company.

Consolidated Earnings from Unconsolidated Affiliates

For fiscal year 2014, the Company generated \$47,881 of income before income taxes, of which \$19,063 was generated from its investments in unconsolidated affiliates. For fiscal year 2013, the Company generated \$29,014 of income before income taxes, of which \$11,444 was generated from its investments in unconsolidated affiliates. The Company’s 34% share of PAL’s earnings increased from \$9,481 in fiscal year 2013 to \$17,846 in fiscal year 2014 primarily attributable to higher amounts of earnings recognized under the Farm Bill’s economic adjustment assistance program and improved operating income. The remaining change in earnings from unconsolidated affiliates relates to lower operating results for the Company’s two nylon extrusion joint ventures, which reflect decreased earnings driven by lower gross margins.

Consolidated Income Taxes

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

	For the Fiscal Years Ended	
	June 29, 2014	June 30, 2013
United States	\$ 38,816	\$ 16,900
Foreign	9,065	12,114
Income before income taxes	\$ 47,881	\$ 29,014

The components of provision for income taxes consist of the following:

	For the Fiscal Years Ended	
	June 29, 2014	June 30, 2013
Federal	\$ 14,646	\$ 9,485
State	1,935	661
Foreign	3,580	3,198
Provision for income taxes	<u>\$ 20,161</u>	<u>\$ 13,344</u>

The Company's income tax provision for fiscal year 2014 and fiscal year 2013 resulted in tax expense of \$20,161 and \$13,344, with an effective tax rate of 42.1% and 46.0%, respectively. For both periods, the effective income tax rate is different than the U.S. statutory rate primarily due to foreign dividends taxed in the U.S. and the timing of the Company's recognition of higher taxable versus book income for an unconsolidated affiliate for which the Company maintains a full valuation allowance.

Consolidated Net Income Attributable to Unifi, Inc.

Even though fiscal year 2014 had one less week, net income attributable to Unifi, Inc. for fiscal year 2014 was \$28,823, or \$1.52 per basic share, compared to \$16,635, or \$0.84 per basic share, for the prior fiscal year period. As discussed above, the Company's increased profitability was primarily due to higher gross profit in the Polyester and Nylon Segments, lower SG&A expenses, improved earnings from unconsolidated affiliates, and lower net interest expense, partially offset by higher other operating expenses and increased income taxes.

Consolidated Adjusted EBITDA

Even though fiscal year 2014 had one less week, Adjusted EBITDA increased \$4,946 to \$57,596 versus \$52,650 for the prior fiscal year. As discussed above, the improvement in cash gross profit is the primary driver for the increase.

Review of Fiscal Year 2013 Results of Operations Compared to Fiscal Year 2012

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 presented in the table below. Fiscal year 2013 was comprised of 53 weeks, while fiscal year 2012 contained 52 weeks.

	For the Fiscal Years Ended				% Change
	June 30, 2013		June 24, 2012		
		% to Net Sales		% to Net Sales	
Net sales	\$ 713,962	100.0	\$ 705,086	100.0	1.3
Cost of sales	640,858	89.8	650,690	92.3	(1.5)
Gross profit	73,104	10.2	54,396	7.7	34.4
Selling, general and administrative expenses	47,386	6.6	43,482	6.2	9.0
(Benefit) provision for bad debts	(154)	—	211	—	(173.0)
Other operating expense, net	3,409	0.5	2,071	0.3	64.6
Operating income	22,463	3.1	8,632	1.2	160.2
Interest expense, net	3,791	0.5	14,152	2.0	(73.2)
Loss on extinguishment of debt	1,102	0.1	3,203	0.4	(65.6)
Loss on previously held equity interest	—	—	3,656	0.5	(100.0)
Other non-operating income	—	—	(1,488)	(0.1)	(100.0)
Earnings from unconsolidated affiliates	(11,444)	(1.6)	(19,740)	(2.8)	(42.0)
Income before income taxes	29,014	4.1	8,849	1.2	227.9
Provision (benefit) for income taxes	13,344	1.9	(1,979)	(0.3)	(774.3)
Net income including non-controlling interest	15,670	2.2	10,828	1.5	44.7
Less: net loss attributable to non-controlling interest	(965)	(0.1)	(663)	(0.1)	45.6
Net income attributable to Unifi, Inc.	<u>\$ 16,635</u>	<u>2.3</u>	<u>\$ 11,491</u>	<u>1.6</u>	<u>44.8</u>

Consolidated Net Sales

Net sales for fiscal year 2013 increased by \$8,876, or 1.3%, as compared to the prior fiscal year. Consolidated sales volume increased by 4.2%, with volume improvements in all of the Company's reportable segments. The increase in volumes reflects the additional week of sales included in the 53-week fiscal year 2013 for operations in the U.S. and El Salvador, growth in the U.S. apparel market and improvements in the U.S. automotive and home furnishings markets. Sales volume increased in Brazil despite continued pressure from low-priced imported textured yarn, and volume improved in China as a result of increases in PVA product sales. The weighted average selling price decreased 2.9% primarily due to sales price adjustments related to declines in the cost of raw materials in the Polyester Segment, a shift in mix towards products that carry a lower average selling price in the Nylon Segment, and lower weighted average sales prices in Brazil on a U.S. dollar basis because of currency translation from the Brazilian Real, which weakened against the U.S. dollar in fiscal year 2013 (on a local currency basis, the weighted average sales price in Brazil increased in fiscal year 2013 over the prior year). Unfavorable currency translation decreased consolidated net sales by \$14,936.

Consolidated Gross Profit

Gross profit for fiscal year 2013 increased by \$18,708, or 34.4%, as compared to the prior fiscal year. Gross profit increased primarily due to the additional week of sales included in the 53-week fiscal year 2013, improved sales volumes in all reportable segments, mix enrichment as a result of increased PVA sales and increased unit conversion margin in the Polyester Segment. In addition, gross profit was favorably impacted by lower unit manufacturing costs in the domestic operations as a result of higher utilization rates, cost improvement programs and a decrease in depreciation expense of \$2,234.

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				% Change
	June 30, 2013		June 24, 2012		
		% to Net Sales		% to Net Sales	
Net sales	\$ 398,707	100.0	\$ 393,981	100.0	1.2
Cost of sales	363,545	91.2	374,308	95.0	(2.9)
Gross profit	\$ 35,162	8.8	\$ 19,673	5.0	78.7

The increase in gross profit of \$15,489 was primarily a result of increased sales volume, mix enrichment due to growth of PVA product sales, higher per unit conversion margin and lower unit manufacturing costs. Volumes increased 2.5% over the prior fiscal year primarily as a result of the additional week of sales included in the 53-week fiscal year 2013 and increased demand in the U.S. apparel market, which were adversely impacted in the prior fiscal year by weak demand due to inventory destocking in the apparel supply chain. The growth in PVA product sales was driven primarily by REPREVE®, which had several new programs adopted by leading brands and retailers. The segment experienced overall lower average raw material costs as compared with the prior year, which allowed it to recover previously lost unit conversion margin. Unit manufacturing costs were lower as a result of decreased depreciation expense of \$1,625 and efficiency gains accomplished through process improvements and higher utilization rates.

Polyester Segment net sales and gross profit as a percentage of total consolidated amounts were 55.8% and 48.1% for fiscal year 2013, compared to 55.9% and 36.2% for fiscal year 2012, 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 30, 2013		June 24, 2012		% Change	
		% to Net Sales		% to Net Sales		
Net sales	\$ 164,085	100.0	\$ 163,103	100.0	0.6	
Cost of sales	146,033	89.0	146,147	89.6	(0.1)	
Gross profit	\$ 18,052	11.0	\$ 16,956	10.4	6.5	

The increase in gross profit of \$1,096 was due to increased volumes and lower unit manufacturing costs. Sales volumes increased 3.9% over the prior fiscal year primarily due to increased demand in the legwear market and the additional week of sales included in the 53-week fiscal year 2013. Average unit conversion margin remained flat as compared with the prior year. Unit manufacturing costs were slightly lower as a result of higher utilization rates and cost improvement initiatives.

Nylon Segment net sales and gross profit, as a percentage of total consolidated amounts, were 23.0% and 24.7% for fiscal year 2013, compared to 23.1% and 31.2% for fiscal year 2012, 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 30, 2013		June 24, 2012		% Change	
		% to Net Sales		% to Net Sales		
Net sales	\$ 151,170	100.0	\$ 148,002	100.0	2.1	
Cost of sales	131,280	86.8	130,235	88.0	0.8	
Gross profit	\$ 19,890	13.2	\$ 17,767	12.0	11.9	

Gross profit for the International Segment increased \$2,123 from the prior year as a result of improvement in both the Brazilian and Chinese operations. Despite continued competition from low-priced yam imports, the Brazilian operation increased its sales volumes 5.4% over the prior year. The Company's focus on mix enrichment resulted in increased sales of PVA products for the Brazilian operation, which also favorably impacted margins. The adverse impact of the loss of certain tax incentives for local producers during fiscal year 2013 was offset by POY duty reductions implemented by the Brazilian government (which reduce the subsidiary's raw material cost) and price increases implemented to recover margins due to the negative effects of the changes in the local incentive programs. In local currency, gross profit for Brazil increased 18.7%; however, when translated to U.S. dollars, gross profit increased only 5.2% as a result of the weakening of the Brazilian Real against the U.S. dollar.

Gross profit improvement in the Chinese operation was driven by a 22.2% increase in sales volume and higher margins as a result of increased PVA product sales.

International Segment net sales and gross profit as a percentage of total consolidated amounts were 21.2% and 27.2% for fiscal year 2013, compared to 21.0% and 32.6% for fiscal year 2012, respectively.

Consolidated Selling, General & Administrative Expenses

SG&A expenses increased in total and as a percentage of net sales for fiscal year 2013 when compared to fiscal year 2012. The increase was primarily a result of higher fringe benefit costs related to certain variable compensation plans; consumer marketing and branding initiatives; community relations expenses; and professional fees. These increases were partially offset by reductions in deferred compensation, insurance, amortization and other administrative expenses.

Consolidated (Benefit) Provision for Bad Debts

The benefit for bad debts was \$154 for fiscal year 2013, as compared to a provision of \$211 recorded for fiscal year 2012. The Company received a \$383 recovery of accounts previously written off, which is included in the fiscal year 2013 benefit. For fiscal year 2013, there were no significant changes in the Company's allowance for uncollectible accounts, as the aging of customer receivables and provisions for certain risk accounts remained relatively unchanged from fiscal year 2012.

Consolidated Other Operating Expense, Net

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

	For the Fiscal Years Ended	
	June 30, 2013	June 24, 2012
Operating expenses for Repreve Renewables	\$ 2,396	\$ 1,633
Net loss on sale or disposal of assets	243	369
Foreign currency transaction (gains) losses	(132)	270
Restructuring charges, net	813	71
Other, net	89	(272)
Total other operating expense, net	<u>\$ 3,409</u>	<u>\$ 2,071</u>

Other operating expense, net increased in fiscal year 2013 from the prior year primarily due to (i) increased operating expenses for Renewables in connection with expanding crop fields and engaging potential markets, (ii) consolidating the results of Renewables for the full fiscal year 2013 and (iii) severance charges included in fiscal year 2013.

Consolidated Interest Expense, Net

Interest expense, net decreased from \$14,152 for fiscal year 2012 to \$3,791 for fiscal year 2013. This favorable decline was due to a lower average outstanding debt balance of \$108,861, a lower weighted average interest rate and a favorable mark-to-market adjustment on an interest rate swap of \$931. The decrease in the average outstanding debt was primarily a result of the Company's repayment of all amounts outstanding under the Term B Loan (as described below under "—Liquidity and Capital Resources") and scheduled payments made on the ABL Term Loan. The weighted average interest rate of the Company's outstanding debt obligations declined from 9.8% for fiscal year 2012 to 3.8% for fiscal year 2013 as a result of the significantly lower borrowing rates realized from the debt refinancing in May 2012.

Consolidated Other Non-Operating Income

For fiscal year 2012, other non-operating income consisted of a \$1,488 gain for the Company's Brazilian subsidiary related to a refund of non-income related taxes plus interest.

Consolidated Earnings from Unconsolidated Affiliates

For fiscal year 2013, the Company generated \$29,014 of income before income taxes, of which \$11,444 was generated from its investments in unconsolidated affiliates. For fiscal year 2012, the Company generated \$8,849 of income before income taxes, of which \$19,740 was generated from its investments in unconsolidated affiliates. The Company's 34% share of PAL's earnings decreased from \$19,360 in fiscal year 2012 to \$9,481 in fiscal year 2013 primarily caused by margin pressures related to the softness in the cotton apparel market during the first half of fiscal year 2013 and differences related to the timing of earnings recognized under the Farm Bill's economic adjustment payments program, as well as the rebate level dropping from four cents per pound to three cents per pound in August 2012. The remaining change in earnings from unconsolidated affiliates relates primarily to the improved operating results of UNF and UNF America, which was primarily driven by higher utilization rates.

Consolidated Income Taxes

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

	For the Fiscal Years Ended	
	June 30, 2013	June 24, 2012
United States	\$ 16,900	\$ 3,010
Foreign	12,114	5,839
Income before income taxes	<u>\$ 29,014</u>	<u>\$ 8,849</u>

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

	For the Fiscal Years Ended	
	June 30, 2013	June 24, 2012
Federal	\$ 9,485	\$ (2,276)
State	661	(3,216)
Foreign	3,198	3,513
Provision (benefit) for income taxes	<u>\$ 13,344</u>	<u>\$ (1,979)</u>

The Company's income tax provision for fiscal year 2013 resulted in tax expense of \$13,344, with an effective tax rate of 46.0%. The effective income tax rate for the period is different than the U.S. statutory rate primarily due to foreign dividends taxed in the U.S. and the timing of the Company's recognition of higher taxable versus book income for an unconsolidated affiliate for which the Company maintains a full valuation allowance.

The Company's income tax provision for fiscal year 2012 resulted in a tax benefit of \$1,979, with an effective rate of (22.4%). The effective income tax rate for the period is different than the U.S. statutory rate primarily due to a reduction in the valuation allowance, utilization of federal and state net operating loss carryforwards during the year, partially offset by repatriation of foreign earnings during the period as well as the tax effects of future repatriation plans.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for fiscal year 2013 was \$16,635, or \$0.84 per basic share, compared to \$11,491, or \$0.57 per basic share, for the prior fiscal year period. As discussed above, the Company's increased profitability was primarily due to higher gross profit, including the effects of an additional week in fiscal year 2013, and lower net interest expense, as partially offset by higher SG&A expenses, higher net other operating expense, a reduction in other non-operating income, lower earnings of unconsolidated affiliates and an increase in the provision for income taxes.

Consolidated Adjusted EBITDA

Adjusted EBITDA for fiscal year 2013 increased \$12,850 to \$52,650 versus \$39,800 for the prior fiscal year. As discussed above, the \$18,708 increase in cash gross profit is the primary reason for the improvement.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital, capital expenditures, debt service and stock repurchases. The Company's primary sources of capital are cash generated from operations and borrowings available under its ABL Revolver. For fiscal year 2014, cash generated from operations was \$56,357, and at June 29, 2014, excess availability under the ABL Revolver was \$61,103.

As of June 29, 2014, all of the Company's debt obligations, with the exception of a term loan from one of the Company's unconsolidated affiliates, were guaranteed by its domestic subsidiaries, while a substantial portion of the Company's cash and cash equivalents were held by its foreign subsidiaries. As described below, cash and cash equivalents held by our foreign subsidiaries may not be presently available to fund the Company's domestic capital requirements, including its domestic debt obligations, without potentially incurring incremental taxes due upon their repatriation. The Company employs a variety of tax planning and financing strategies to ensure that our worldwide cash is available in the locations where it is needed. For the Company's U.S., Brazilian and other foreign subsidiaries, the following table presents a summary of cash and cash equivalents, liquidity, working capital and total debt obligations as of June 29, 2014:

	<u>U.S.</u>	<u>Brazil</u>	<u>All Others</u>	<u>Total</u>
Cash and cash equivalents	\$ 24	\$ 8,548	\$ 7,335	\$ 15,907
Borrowings available under ABL Revolver	61,103	—	—	61,103
Liquidity	<u>\$ 61,127</u>	<u>\$ 8,548</u>	<u>\$ 7,335</u>	<u>\$ 77,010</u>
Working capital	\$ 76,766	\$ 51,603	\$ 22,556	\$ 150,925
Total debt obligations	\$ 98,238	\$ —	\$ 1,250	\$ 99,488

As of June 29, 2014, all cash and cash equivalents on-hand at the Company's foreign operations were deemed to be permanently reinvested. The Company has plans to repatriate \$21,827 of future cash flows generated from its operations in Brazil and has recorded a deferred tax liability of \$7,639 to reflect the additional income tax that would be due as a result. The Company currently has no plans to repatriate other cash balances held outside the United States. However, if such other balances were to be repatriated, additional tax payments could result. As of June 29, 2014, \$30,643 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. Computation of the potential tax liabilities associated with unremitted earnings permanently reinvested is not practicable.

Debt Obligations

The following table presents a summary of the total balances outstanding for the Company's debt obligations, their scheduled maturity dates and the weighted average interest rate for borrowings (including the effects of any interest rate swaps) as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of June 29, 2014	Principal Amounts as of	
			June 29, 2014	June 30, 2013
ABL Revolver	March 2019	3.1%	\$ 26,000	\$ 52,500
ABL Term Loan	March 2019	2.9%	68,000	42,800
Term loan from unconsolidated affiliate	August 2015	3.0%	1,250	1,250
Capital lease obligations	(1)	(2)	4,238	1,203
Total debt			99,488	97,753
Current portion of long-term debt			(7,215)	(65)
Total long-term debt			\$ 92,273	\$ 97,688

(1) Scheduled maturity dates for capital lease obligations range from January 2017 to November 2027.

(2) Fixed interest rates for capital lease obligations range from 2.3% to 4.6%.

On May 24, 2012, the Company entered into a credit agreement (the "Credit Agreement") to establish a \$150,000 senior secured credit facility ("ABL Facility") with Wells Fargo Bank, N.A. and Bank of America, N.A. In addition, the Company entered into a \$30,000 term loan ("Term B Loan"). The purpose of entering into the ABL Facility and the Term B Loan was to, among other things, refinance the Company's then-existing indebtedness. Since that establishment, the Term B Loan has been repaid (on January 8, 2013), and the ABL Facility has been amended several times (most recently on August 25, 2014), such that, as of June 29, 2014, it had a maturity date of March 28, 2019, and consisted of a \$100,000 revolving credit facility ("ABL Revolver") and a \$68,000 term loan ("ABL Term Loan"). As a result of the last amendment (which is described more specifically below under "— Subsequent Event – Fifth Amendment"), the ABL Term Loan increased to \$90,000.

The ABL Facility is secured by a first-priority security interest in substantially all property and assets of Unifi, Inc., Unifi Manufacturing, Inc. and certain subsidiary guarantors (the "Loan Parties") and 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.

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. As of June 29, 2014, ABL Revolver borrowings bore interest at LIBOR 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 payable on a monthly basis. As of June 29, 2014, the ABL Term Loan bore interest at LIBOR plus an applicable margin of 2.25% or the Base Rate plus an applicable margin of 1.25%, with interest payable on a monthly basis. Under the terms of the ABL Facility at June 29, 2014, the Company was required to hedge at least \$50,000 of variable interest rate exposure so long as the outstanding principal of all indebtedness having variable rates of interest exceeds \$75,000.

Should excess availability under the ABL Revolver fall below the Trigger Level (\$21,000 as of June 29, 2014), a 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 restrictions on certain payments and investments, including restrictions on the payment of dividends and share repurchases, unless excess availability is greater than the Trigger Level for the thirty-day period prior to the making of such a distribution (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).

As of June 29, 2014, the Company was in compliance with all financial covenants; the excess availability under the ABL Revolver was \$61,103; the fixed charge coverage ratio was 10.3 to 1.0; and the Company had \$2,325 of standby letters of credit, none of which have been drawn upon.

Subject to certain provisions, 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. Beginning October 1, 2014, the Company is required to make fixed quarterly principal payments on the ABL Term Loan.

Scheduled Debt Maturities

The following table presents the scheduled maturities of the Company's outstanding debt obligations as of June 29, 2014 for the following five fiscal years and thereafter:

	Scheduled Maturities on a Fiscal Year Basis					
	2015	2016	2017	2018	2019	Thereafter
ABL Revolver	\$ —	\$ —	\$ —	\$ —	\$ 26,000	\$ —
ABL Term Loan	6,375	8,500	8,500	8,500	36,125	—
Capital lease obligations	840	866	808	558	366	800
Term loan from unconsolidated affiliate	—	1,250	—	—	—	—
Total	\$ 7,215	\$ 10,616	\$ 9,308	\$ 9,058	\$ 62,491	\$ 800

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

Subsequent Event - Fifth Amendment

On August 25, 2014, the Company entered into a Fifth Amendment to Credit Agreement ("Fifth Amendment"). The Fifth Amendment, among other things: (i) increased the ABL Term Loan by \$22,000 to \$90,000; (ii) increased the fixed quarterly payments on the ABL Term Loan from \$2,125 to \$2,812; (iii) modified the calculation of the fixed charge coverage ratio to exclude certain capital expenditures and permitted acquisitions, at the election of the Company, through June 30, 2015, subject to a maximum exclusion of \$40,000 for any consecutive twelve-month period and other limitations; (iv) increased the ABL Term Loan interest rate from LIBOR plus an applicable margin of 2.25%, or the Base Rate plus an applicable margin of 1.25%, to LIBOR plus an applicable margin of 2.50%, or the Base Rate plus an applicable margin of 1.50%; (v) modified the date on which the eligibility of certain collateral is calculated as a date between July 19, 2015 and December 31, 2015, subject to satisfaction of certain additional conditions, such that the ABL Term Loan amount can be increased up to \$90,000; (vi) related to the making of restricted payments (consisting of dividends and share repurchases), in addition to existing requirements, added a requirement to have a fixed charge coverage ratio of at least 1.0 to 1.0 during the same period, calculated on a pro forma basis as if all such restricted payments made pursuant to the most recent compliance certificate date were made on the last day of the applicable twelve-fiscal-month period; and (vii) removed the requirement to hedge interest rate exposure on funded indebtedness.

Working Capital

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

	June 29, 2014	June 30, 2013	June 24, 2012
Receivables, net	\$ 93,925	\$ 98,392	\$ 99,236
Inventories	113,370	110,667	112,750
Accounts payable	(51,364)	(45,544)	(48,541)
Accrued expenses (1)	(18,487)	(18,383)	(14,004)
Adjusted Working Capital	<u>137,444</u>	<u>145,132</u>	<u>149,441</u>
Cash and cash equivalents	15,907	8,755	10,886
Other current assets	8,025	9,016	15,125
Accrued interest	(102)	(102)	(398)
Other current liabilities	(10,349)	(916)	(8,569)
Working capital	<u>\$ 150,925</u>	<u>\$ 161,885</u>	<u>\$ 166,485</u>

(1) Excludes accrued interest

Working capital decreased from \$161,885 as of June 30, 2013 to \$150,925 as of June 29, 2014. Adjusted Working Capital decreased due to higher accounts payable and lower receivables, partially offset by an increase in inventories. The higher level of accounts payable is a result of increased capital expenditure activity near fiscal year end and the timing of vendor payments. The change in receivables is due to lower sales and the timing of collections. The change in inventories is primarily attributable to (i) increased quantities of Nylon Segment covered yarn located in the U.S. for certain PVA programs and (ii) increased quantities of raw materials for the Polyester Segment's recycled chip facility. Working capital decreased primarily due to the change in Adjusted Working Capital, along with higher other current liabilities of \$9,433, partially offset by an increase in cash and cash equivalents of \$7,152. The increase in other current liabilities reflects (i) the short-term payments due under the ABL Facility and capital lease obligations and (ii) changes in income taxes payable that are attributable to the timing of estimated tax payments related to the Company's domestic operations.

Capital Expenditures

In addition to its normal working capital requirements, the Company requires cash to fund capital expenditures. During fiscal year 2014, the Company spent \$19,091 on capital expenditures. The Company expects capital expenditures to double for fiscal year 2015, which is inclusive of approximately \$8,000 to \$10,000 of annual maintenance capital expenditures (expenditures that extend the useful life of existing assets and/or increase the capabilities or production capacity of the assets). The current estimate for fiscal year 2015 reflects anticipated initiatives to expand existing business and pursue PVA growth opportunities, especially for REPVEVE®, that would require additional capital expenditures to implement.

As a result of our increasing focus on REPREVE® and other PVA yarns as part of our mix enrichment strategy, we may incur additional capital expenditures beyond the amounts currently estimated in order to expand our manufacturing capabilities for these products, and we may be required to increase the amount of our working capital. If our strategy is successful, we would expect higher gross profit as a result of the improved mix from the higher-margin PVA yarns. In addition, the Company may incur additional capital expenditures as it pursues new, currently unanticipated, opportunities to expand its production capabilities, for strategic growth initiatives or to further streamline its manufacturing processes.

Repayments of Debt Obligations

In addition to payments in accordance with the scheduled maturities 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. Funds to make such repayments 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.

Stock Repurchase Program

During fiscal year 2014, the Company completed its repurchase of shares under its \$50,000 stock repurchase program that had been approved by the Board on January 22, 2013 (the "2013 SRP"). On April 23, 2014, the Board approved a new stock repurchase program (the "2014 SRP") to authorize the Company to acquire up to an additional \$50,000 of common stock. Under the 2014 SRP (as was the case under the 2013 SRP), the Company is authorized to repurchase shares at prevailing market prices, through open market purchases or privately negotiated transactions at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases are expected to be financed through cash generated from operations and borrowings under the Company's ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. The 2014 SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

Liquidity Summary

Historically, the Company has met its working capital, capital expenditures and debt service requirements from its cash flows from operations. The Company currently believes that its existing cash balances, cash provided by operating activities, and borrowings available under the ABL Revolver will enable the Company to comply with the terms of its indebtedness and meet its foreseeable liquidity requirements. Domestically, the Company's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund the Company's domestic operating activities as well as cash commitments for its investing and financing activities. For its foreign operations, the Company expects its existing cash balances and cash provided by operating activities will 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 29, 2014	June 30, 2013	June 24, 2012
Cash receipts:			
Receipts from customers	\$ 692,200	\$ 713,283	\$ 700,379
Distributions received from unconsolidated affiliates	13,214	14,940	10,616
Other receipts	6,762	864	3,733
Cash payments:			
Payments to suppliers and other operating costs	517,188	552,685	541,298
Payments for salaries, wages, and benefits	116,735	112,268	109,444
Payments for taxes	12,569	8,100	3,988
Payments for interest	3,313	4,701	16,689
Payments for restructuring and severance	2,353	62	—
Other	128	—	—
Adjusted net cash provided by operating activities	59,890	51,271	43,309
Adjustment for excess tax benefit on stock-based compensation plans (1)	(3,533)	(762)	—
Net cash provided by operating activities	\$ 56,357	\$ 50,509	\$ 43,309

- (1) Adjustment for excess tax benefit on stock-based compensation plans represents the classification of the tax benefit realized from share-based payment awards within net cash used in financing activities with a corresponding offset to net cash provided by operating activities.

Fiscal Year 2014 compared to Fiscal Year 2013

The decline in receipts from customers is primarily due to one less week of sales in fiscal year 2014 and the negative effects of currency translation due to the weakening of the Brazilian Real against the U.S. dollar, partially offset by sales mix improvements. Other receipts include the return of utility and value-added tax deposits of \$4,805, plus associated interest of \$1,225, and other interest and miscellaneous income. The decrease in payments to suppliers and other operating costs is primarily a result of one less week of sales and production for operations in the U.S. and El Salvador and softer market conditions for the International Segment. The increase in payments for salaries, wages and benefits is primarily due to higher variable compensation, partially offset by lower executive compensation. Payments for restructuring and severance primarily relate to the relocation of certain machinery in the U.S. and El Salvador and payments to two former executive officers. The decline in payments for interest was due to both a lower average outstanding debt balance and a lower weighted average interest rate. The Company's payments for taxes increased primarily due to increased domestic profitability.

Fiscal Year 2013 compared to Fiscal Year 2012

The increase in receipts from customers is primarily attributable to increased sales volume across all segments, including \$11,854 from the effect of the additional week in fiscal year 2013, and improved cash collections. Other receipts include interest income and other miscellaneous cash receipts. The increase in payments to suppliers and other operating costs is primarily driven by higher production volumes, including the effect of the additional week in fiscal year 2013. The increase in payments for salaries, wages and benefits is primarily due to higher production volumes and inflationary increases. The decline in payments for interest was due to both a lower average outstanding debt balance and a lower weighted average interest rate. Taxes paid by the Company increased primarily due to higher profitability for the U.S. operations.

Cash Used in Investing Activities and Financing Activities

The Company utilized \$16,869 for net investing activities and \$32,410 for net financing activities during fiscal year 2014. Significant investing activities include \$19,091 for capital expenditures, which primarily relate to improving the Company's manufacturing flexibility and capability to produce PVA products, adding to the capacity, flexibility and efficiency of the Company's Yadkinville texturing facility and increasing the capacity of the recycling facility. Significant financing outflows include cash payments of \$36,551 for the repurchase of Company stock made under both the 2013 SRP and the 2014 SRP.

The Company utilized \$9,771 for net investing activities and utilized \$41,933 for net financing activities during fiscal year 2013. Significant expenditures for investing activities include \$8,809 for capital expenditures. Significant financing activities include repurchases of Company stock of \$19,315, and net cash utilized toward the reduction of long term debt of \$25,580. During fiscal year 2013, the Company prepaid in full the Term B Loan, which included \$20,515 in optional and mandatory prepayments and \$615 of prepayment call premiums. In addition, the Company paid \$7,200 in scheduled principal payments on the ABL Term Loan, received \$1,500 in net borrowings from the ABL Revolver and received \$1,250 in proceeds from borrowings under a term loan from an unconsolidated affiliate.

The Company utilized \$6,858 for net investing activities and utilized \$49,834 for 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.

Contractual Obligations

As of June 29, 2014, the Company's contractual obligations 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
ABL Revolver	\$ 26,000	\$ —	\$ —	\$ 26,000	\$ —
ABL Term Loan	68,000	6,375	17,000	44,625	—
Capital lease obligations	4,238	840	1,674	924	800
Term loan from unconsolidated affiliate	1,250	—	1,250	—	—
Contingent consideration (1)	2,563	537	1,156	870	—
Other long-term obligations (2)	4,148	449	86	65	3,548
Subtotal	106,199	8,201	21,166	72,484	4,348
Interest on long-term debt and other obligations (3)	13,825	3,181	6,041	4,437	166
Operating leases	5,564	2,118	2,553	893	—
Purchase obligations (4)	41,794	17,057	17,743	6,994	—
Total cash payments by period	<u>\$ 167,382</u>	<u>\$ 30,557</u>	<u>\$ 47,503</u>	<u>\$ 84,808</u>	<u>\$ 4,514</u>

(1) Contingent consideration payments are reflected at present value based on the expected future payments used in the underlying fair value determination.

(2) Other long-term obligations do not include an estimate of the timing of future tax payments related to uncertain tax positions; therefore, \$1,101 has been excluded from the table above.

(3) Interest payments on variable-rate debt instruments are calculated for future periods using interest rates and terms in effect at June 29, 2014.

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

For purposes of the above 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 29, 2014, the Company's open purchase orders totaled approximately \$45,124 and are expected to be settled in fiscal year 2015. These open purchase orders are in the ordinary course of business for the procurement of (i) raw materials used in production, (ii) certain consumables and outsourced services used in the Company's manufacturing processes and (iii) selected finished goods for resale sourced from third-party suppliers.

As of June 29, 2014, the Company had \$2,325 of standby letters of credit, none of which have been drawn upon.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued new accounting guidance for the recognition of revenue from contracts with customers, which will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company's fiscal year 2018, and early adoption is not permitted. The Company is evaluating the effect the new guidance will have on its consolidated financial statements and related disclosures. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

There have been no other 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 "Note 2. Summary of Significant Accounting Policies" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" 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 the allowance for losses. However, 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 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. 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 and evaluating the condition of the inventories require judgment 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 reserves would not have been material to the Company's financial statements for the past three fiscal 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, and 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, judgment 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 generate 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 fiscal year 2014, the Company determined there were no "other-than-temporary" impairments related to the carrying value of its investments in unconsolidated affiliates.

Valuation Allowance for Deferred Tax Assets

The Company currently has a valuation allowance against certain of its 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 29, 2014 was \$18,615.

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 or 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. As of June 29, 2014, the Company had borrowings under its ABL Revolver and ABL Term Loan that totaled \$94,000 and contain variable rates of interest; however, the Company hedges a significant portion of such interest rate variability using an interest rate swap. As of June 29, 2014, after considering the variable rate debt obligations that have been hedged and the Company's outstanding debt obligations with fixed rates of interest, the Company's sensitivity analysis shows that a 50-basis point increase in LIBOR as of June 29, 2014 would result in an increase of \$145 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 subsidiaries may enter into transactions (sales, purchases, fixed purchase commitments, etc.) that are denominated in currencies other than the subsidiary's functional currency and thereby expose the Company to foreign currency exchange risk. The Company may enter into foreign currency forward contracts to hedge this exposure. For sales transactions, 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 currency contracts are intended to match the anticipated collection dates of the receivables. The Company may also enter into foreign currency forward contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of June 29, 2014, the latest maturity date for outstanding forward currency contracts was in July 2014. As of June 29, 2014, the Company did not have a significant amount of exposure related to any foreign currency forward contracts.

As of June 29, 2014, the Company's subsidiaries outside the U.S., whose functional currency is other than the U.S. dollar, held approximately 18.4% of the Company's consolidated total assets. The Company does not enter into foreign currency derivatives to hedge its net investment in its foreign operations.

As of June 29, 2014, \$14,620, or 91.9%, of the Company's cash and cash equivalents were held outside the U.S., of which approximately \$1,797 were held in U.S. dollar equivalents.

More information regarding the Company's derivative financial instruments as of June 29, 2014 is provided in "Note 18. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" 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 based on U.S. dollar pricing; and such materials are purchased at market or at fixed prices that are established with individual vendors as part of the purchasing 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.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's financial statements required by this item are included on pages F-1 through F-41 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 DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures.* As of June 29, 2014, 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 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 principal executive officer and principal 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 Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of June 29, 2014, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (1992)*. Based on that assessment, management concluded that, as of June 29, 2014, the Company's internal control over financial reporting is effective based on the criteria established in *Internal Control-Integrated Framework (1992)*.

(c) *Attestation report of the registered public accounting firm.* The effectiveness of the Company's internal control over financial reporting as of June 29, 2014 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 29, 2014.

(d) *Changes in internal control over financial reporting.* During the Company's fourth quarter of fiscal year 2014, 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 2014 Annual Meeting of Shareholders to be filed within 120 days after the Company’s fiscal year end on June 29, 2014 (the “Proxy Statement”), including under the headings “Proposal 1: Election of Directors,” “Nominees for Election as Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Beneficial Ownership of Common Stock by Directors and Executive Officers,” “Board of Directors Procedural Matters,” and “Corporate Governance Matters,” and is incorporated herein by reference.

Our non-employee directors and their respective principal occupation or employment, if any, are as follows: William J. Armfield, IV (President, Spotswood Capital, LLC); Archibald Cox, Jr. (Chairman, Sextant Group, Inc.); Kenneth G. Langone (President and Chief Executive Officer, Invemed Associates LLC); George R. Perkins, Jr. (Retired Chairman of the Board and former Chief Executive Officer, Frontier Spinning Mills, Inc.); Suzanne M. Present (Co-Founder and Principal, Gladwyne Partners, LLC); G. Alfred Webster (Retired former Executive Vice President of the Company); and Mitchel Weinberger (President and Chief Operating Officer, Dillon Yarn Corporation).

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

The Company has adopted a written Code of Business Conduct and Ethics that is applicable to members of the Board and executive officers, including the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer (the “Code of Ethics”). The Company has also adopted an Ethical Business Conduct Policy Statement (the “Ethics Policy Statement”) that applies to all Company personnel. The Code of Ethics and the Ethics Policy Statement are available on the Company’s website at www.unifi.com, under the “Investor Relations” section, and paper copies are available without charge to any shareholder that requests a copy by contacting Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27419-9109, Attention: Office of the Secretary. Any amendments to or waivers of the Code of 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, including 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 information required by this Item will be set forth in the Proxy Statement, including under the headings “Equity Compensation Plan Information,” “Principal Holders of Common Stock” and “Beneficial Ownership of Common Stock by Directors and Executive Officers,” and is incorporated herein 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, including under the headings “Transactions with Related Parties and Certain Other Persons” and “Corporate Governance Matters – Director Independence,” and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT 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 Public Accounting Firm” 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 January 3, 2015 and December 28, 2013 and for the years ended January 3, 2015, December 28, 2013 and December 29, 2012 will be filed on or before April 3, 2015.

PAL is an unconsolidated joint venture in which the Company holds a 34% equity ownership interest. PAL’s prior fiscal year end was December 28, 2013, which is more than 90 days after the Company’s corresponding fiscal year, which ended June 30, 2013. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Exchange Act, the Company filed the required financial statements and related notes of PAL on March 27, 2014 via an amendment to the Annual Report on Form 10-K for the fiscal year ended June 30, 2013. PAL’s current fiscal year end is January 3, 2015, which is more than 90 days after the Company’s corresponding fiscal year, which ended June 29, 2014. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Exchange Act, 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 April 3, 2015.

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. (last amended July 23, 2014) (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K (Reg. No. 001-10542) filed on July 23, 2014).
4.1	Registration Rights Agreement dated January 1, 2007 between Unifi, Inc. and Dillon Yam Corporation (incorporated by reference from Exhibit 7.1 to the Schedule 13D dated January 2, 2007 filed by Dillon Yam Corporation).
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	First Amendment to Credit Agreement, dated as of December 27, 2012, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated December 27, 2012).
4.8	Second Amendment to Credit Agreement, dated as of June 25, 2013, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated June 25, 2013).
4.9	First Amendment to Guaranty and Security Agreement, dated as of June 25, 2013, by and among the Grantors listed therein and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (Reg. No. 001-10542) filed on September 10, 2013).
4.10	Third Amendment to Credit Agreement, dated as of January 16, 2014, by and among the Company and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated March 28, 2014).
4.11	Fourth Amendment to Credit Agreement, dated as of March 28, 2014, by and among the Company and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated March 28, 2014).
4.12	Second Amendment to Guaranty and Security Agreement, dated as of March 28, 2014, by among the Grantors listed therein and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated March 28, 2014).
4.13	Fifth Amendment to Credit Agreement, dated as of August 25, 2014, by and among the Company and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 25, 2014).
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 10.5 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 in 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).

<u>Exhibit Number</u>	<u>Description</u>
10.5	*Change in 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).
10.6	*Change in 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).
10.7	*Change in 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).
10.8	Sales and Services Agreement dated January 1, 2007 between Unifi, Inc. and Dillon Yam 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).
10.9	First Amendment to Sales and Service Agreement between Unifi Manufacturing, Inc. and Dillon Yam Corporation, effective January 1, 2009 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) filed on December 3, 2008).
10.10	*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. 333-156090) filed on December 12, 2008).
10.11	*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).
10.12	*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).
10.13	Yarn Purchase Agreement between Unifi Manufacturing, Inc. and Hanesbrands, Inc. effective November 6, 2009 (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarterly period ended December 27, 2009 (Reg. No. 001-10542) filed on February 5, 2010) (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.14	Second Amendment to Sales and Service Agreement between Unifi, Inc. and Dillon Yam 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).
10.15	*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).
10.16	*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).
10.17	Third Amendment to Sales and Service Agreement between Unifi Manufacturing, Inc. and Dillon Yam Corporation, effective January 1, 2011 (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).
10.18	*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).

<u>Exhibit Number</u>	<u>Description</u>
10.19	Fourth Amendment to Sales and Service Agreement between Unifi Manufacturing, Inc. and Dillon Yam Corporation, effective January 1, 2012 (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).
10.20	*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).
10.21	*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).
10.22	*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).
10.23	*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).
10.24	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).
10.25	First Amendment to Yam Purchase Agreement between Unifi Manufacturing, Inc. and Hanesbrands, Inc. dated July 17, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 23, 2012 (Reg. No. 001-10542) filed on November 2, 2012) (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.26	*Severance Agreement and Waiver of Claims between Ronald L. Smith and Unifi, Inc., effective August 23, 2013 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (Reg. No. 001-10542) filed on September 10, 2013).
10.27	*Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated October 23, 2013).
10.28	Second Amendment to Yam Purchase Agreement with Hanesbrands Inc., dated November 21, 2013 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2013 (Reg. No. 001-10542) filed on February 7, 2014).
10.29	*Form of Restricted Stock Unit Agreement for Non-Employee Directors, for use in connection with Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated October 23, 2013).
10.30	*Form of Restricted Stock Unit Agreement for Employees, for use in connection with Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2013 (Reg. No. 001-10542) filed on February 7, 2014).
10.31	*Form of Incentive Stock Option Agreement (for Executives and Other Officer-Level Employees), for use in connection with Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2013 (Reg. No. 001-10542) filed on February 7, 2014).

Exhibit Number	Description
10.32	Third Amendment to Yarn Purchase Agreement with Hanesbrands Inc., dated March 28, 2014 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2014 (Reg. No. 001-10542) filed on May 9, 2014).
10.33 ⁺	Fourth Amendment to Yarn Purchase Agreement with Hanesbrands Inc., dated May 30, 2014 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc.
10.34 ⁺	Fifth Amendment to Yarn Purchase Agreement with Hanesbrands Inc., dated June 25, 2014 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc. (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.35 ⁺	Yarn Purchase Agreement effective as of September 1, 2014 between Unifi Manufacturing, Inc. and Hanesbrands Inc. (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
14.1 ⁺	Unifi, Inc. Ethical Business Conduct Policy Statement as amended July 23, 2014.
14.2 ⁺	Unifi, Inc. Code of Business Conduct and Ethics as amended July 23, 2014.
21.1 ⁺	List of Subsidiaries.
23.1 ⁺	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 29, 2014, formatted in eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

⁺ Filed herewith.

*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: September 10, 2014

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>
<u>/s/</u>	<u>WILLIAM L. JASPER</u> William L. Jasper	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>JAMES M. OTTERBERG</u> James M. Otterberg	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	<u>September 10, 2014</u>
<u>/s/</u>	<u>R. ROGER BERRIER, JR.</u> R. Roger Berrier, Jr.	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>WILLIAM J. ARMFIELD, IV</u> William J. Armfield, IV	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>ARCHIBALD COX, JR.</u> Archibald Cox, Jr.	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>KENNETH G. LANGONE</u> Kenneth G. Langone	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>GEORGE R. PERKINS, JR.</u> George R. Perkins, Jr.	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>SUZANNE M. PRESENT</u> Suzanne M. Present	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>G. ALFRED WEBSTER</u> G. Alfred Webster	Director	<u>September 10, 2014</u>
<u>/s/</u>	<u>MITCHEL WEINBERGER</u> Mitchel Weinberger	Director	<u>September 10, 2014</u>

EXHIBIT INDEX

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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).
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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).
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	First Amendment to Credit Agreement, dated as of December 27, 2012, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated December 27, 2012).
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4.9	First Amendment to Guaranty and Security Agreement, dated as of June 25, 2013, by and among the Grantors listed therein and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (Reg. No. 001-10542) filed on September 10, 2013).

<u>Exhibit Number</u>	<u>Description</u>
4.10	Third Amendment to Credit Agreement, dated as of January 16, 2014, by and among the Company and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated March 28, 2014).
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4.13	Fifth Amendment to Credit Agreement, dated as of August 25, 2014, by and among the Company and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, N.A., as agent for the lenders, and certain lenders party thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated August 25, 2014).
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 10.5 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 in 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 in 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).
10.6	*Change in 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).
10.7	*Change in 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).
10.8	Sales and Services Agreement dated January 1, 2007 between Unifi, Inc. and Dillon Yam 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).
10.9	First Amendment to Sales and Service Agreement between Unifi Manufacturing, Inc. and Dillon Yam Corporation, effective January 1, 2009 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) filed on December 3, 2008).
10.10	*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. 333-156090) filed on December 12, 2008).

Exhibit Number	Description
10.11	*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).
10.12	*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).
10.13	Yarn Purchase Agreement between Unifi Manufacturing, Inc. and Hanesbrands, Inc. effective November 6, 2009 (incorporated by reference to Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarterly period ended December 27, 2009 (Reg. No. 001-10542) filed on February 5, 2010) (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.14	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).
10.15	*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).
10.16	*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).
10.17	Third Amendment to Sales and Service Agreement between Unifi Manufacturing, Inc. and Dillon Yarn Corporation, effective January 1, 2011 (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).
10.18	*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).
10.19	Fourth Amendment to Sales and Service Agreement between Unifi Manufacturing, Inc. and Dillon Yarn Corporation, effective January 1, 2012 (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).
10.20	*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).
10.21	*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).
10.22	*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).
10.23	*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).

Exhibit Number	Description
10.24	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).
10.25	First Amendment to Yam Purchase Agreement between Unifi Manufacturing, Inc. and Hanesbrands, Inc. dated July 17, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 23, 2012 (Reg. No. 001-10542) filed on November 2, 2012) (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.26	*Severance Agreement and Waiver of Claims between Ronald L. Smith and Unifi, Inc., effective August 23, 2013 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (Reg. No. 001-10542) filed on September 10, 2013).
10.27	*Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated October 23, 2013).
10.28	Second Amendment to Yam Purchase Agreement with Hanesbrands Inc., dated November 21, 2013 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2013 (Reg. No. 001-10542) filed on February 7, 2014).
10.29	*Form of Restricted Stock Unit Agreement for Non-Employee Directors, for use in connection with Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (Reg. No. 001-10542) dated October 23, 2013).
10.30	*Form of Restricted Stock Unit Agreement for Employees, for use in connection with Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2013 (Reg. No. 001-10542) filed on February 7, 2014).
10.31	*Form of Incentive Stock Option Agreement (for Executives and Other Officer-Level Employees), for use in connection with Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2013 (Reg. No. 001-10542) filed on February 7, 2014).
10.32	Third Amendment to Yam Purchase Agreement with Hanesbrands Inc., dated March 28, 2014 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2014 (Reg. No. 001-10542) filed on May 9, 2014).
10.33+	Fourth Amendment to Yam Purchase Agreement with Hanesbrands Inc., dated May 30, 2014 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc.
10.34+	Fifth Amendment to Yam Purchase Agreement with Hanesbrands Inc., dated June 25, 2014 by and among Unifi Manufacturing, Inc. and Hanesbrands Inc. (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
10.35+	Yam Purchase Agreement effective as of September 1, 2014 between Unifi Manufacturing, Inc. and Hanesbrands Inc. (portions of the exhibit have been redacted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request).
14.1+	Unifi, Inc. Ethical Business Conduct Policy Statement as amended July 23, 2014.
14.2+	Unifi, Inc. Code of Business Conduct and Ethics as amended July 23, 2014.
21.1+	List of Subsidiaries.
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm.

Exhibit Number	Description
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 29, 2014, formatted in eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

⁺ Filed herewith.

*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.

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UNIFI, INC.

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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 29, 2014 and June 30, 2013, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended June 29, 2014. 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 29, 2014 and June 30, 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended June 29, 2014, 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 29, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 10, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Greensboro, North Carolina
September 10, 2014

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 29, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* 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 29, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 29, 2014 and June 30, 2013, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended June 29, 2014, and our report dated September 10, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Greensboro, North Carolina
September 10, 2014

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

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
ASSETS		
Cash and cash equivalents	\$ 15,907	\$ 8,755
Receivables, net	93,925	98,392
Inventories	113,370	110,667
Income taxes receivable	179	1,388
Deferred income taxes	1,794	1,715
Other current assets	6,052	5,913
Total current assets	<u>231,227</u>	<u>226,830</u>
Property, plant and equipment, net	123,802	115,164
Deferred income taxes	2,329	2,196
Intangible assets, net	7,394	7,772
Investments in unconsolidated affiliates	99,229	93,261
Other non-current assets	5,086	10,243
Total assets	<u>\$ 469,067</u>	<u>\$ 455,466</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 51,364	\$ 45,544
Accrued expenses	18,589	18,485
Income taxes payable	3,134	851
Current portion of long-term debt	7,215	65
Total current liabilities	<u>80,302</u>	<u>64,945</u>
Long-term debt	92,273	97,688
Other long-term liabilities	7,549	5,053
Deferred income taxes	2,205	1,300
Total liabilities	<u>182,329</u>	<u>168,986</u>
Commitments and contingencies		
Common stock, \$0.10 par (500,000,000 shares authorized, 18,313,959 and 19,205,209 shares outstanding)	1,831	1,921
Capital in excess of par value	42,130	36,375
Retained earnings	245,673	252,112
Accumulated other comprehensive loss	(4,619)	(5,500)
Total Unifi, Inc. shareholders' equity	<u>285,015</u>	<u>284,908</u>
Non-controlling interest	1,723	1,572
Total shareholders' equity	<u>286,738</u>	<u>286,480</u>
Total liabilities and shareholders' equity	<u>\$ 469,067</u>	<u>\$ 455,466</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 29, 2014	June 30, 2013	June 24, 2012
Net sales	\$ 687,902	\$ 713,962	\$ 705,086
Cost of sales	604,640	640,858	650,690
Gross profit	83,262	73,104	54,396
Selling, general and administrative expenses	46,203	47,386	43,482
Provision (benefit) for bad debts	287	(154)	211
Other operating expense, net	5,289	3,409	2,071
Operating income	31,483	22,463	8,632
Interest income	(1,790)	(698)	(1,921)
Interest expense	4,329	4,489	16,073
Loss on extinguishment of debt	—	1,102	3,203
Loss on previously held equity interest	—	—	3,656
Other non-operating expense (income)	126	—	(1,488)
Equity in earnings of unconsolidated affiliates	(19,063)	(11,444)	(19,740)
Income before income taxes	47,881	29,014	8,849
Provision (benefit) for income taxes	20,161	13,344	(1,979)
Net income including non-controlling interest	\$ 27,720	\$ 15,670	\$ 10,828
Less: net (loss) attributable to non-controlling interest	(1,103)	(965)	(663)
Net income attributable to Unifi, Inc.	<u>\$ 28,823</u>	<u>\$ 16,635</u>	<u>\$ 11,491</u>
Net income attributable to Unifi, Inc. per common share:			
Basic	\$ 1.52	\$ 0.84	\$ 0.57
Diluted	\$ 1.47	\$ 0.80	\$ 0.56

See accompanying Notes to Consolidated Financial Statements

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Net income including non-controlling interest	\$ 27,720	\$ 15,670	\$ 10,828
Other comprehensive income (loss):			
Foreign currency translation adjustments	327	(6,585)	(22,813)
Gain (loss) on cash flow hedges for an unconsolidated affiliate	—	1,214	(568)
Gain (loss) on cash flow hedges, net of reclassification adjustments	554	82	(606)
Other comprehensive income (loss) before income taxes	881	(5,289)	(23,987)
Income tax (provision) benefit on cash flow hedges	—	(239)	239
Other comprehensive income (loss), net	881	(5,528)	(23,748)
Comprehensive income (loss) including non-controlling interest	28,601	10,142	(12,920)
Less: comprehensive (loss) attributable to non-controlling interest	(1,103)	(965)	(663)
Comprehensive income (loss) attributable to Unifi, Inc.	<u>\$ 29,704</u>	<u>\$ 11,107</u>	<u>\$ (12,257)</u>

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in thousands)

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Unifi. Inc. Shareholders' Equity	Non- controlling Interest	Total Shareholders' Equity
Balance at June 26, 2011	20,080	\$ 2,008	\$ 32,599	\$ 241,272	\$ 23,776	\$ 299,655	\$ —	\$ 299,655
Options exercised	10	1	70	—	—	71	—	71
Stock-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 at June 24, 2012	20,090	\$ 2,009	\$ 34,723	\$ 252,763	\$ 28	\$ 289,523	\$ 1,257	\$ 290,780
Options exercised	174	18	1,280	—	—	1,298	—	1,298
Stock-based compensation	—	—	1,533	—	—	1,533	—	1,533
Conversion of restricted stock units	9	1	(1)	—	—	—	—	—
Common stock repurchased and retired under publicly announced program	(1,068)	(107)	(1,922)	(17,286)	—	(19,315)	—	(19,315)
Excess tax benefit on stock-based compensation plans	—	—	762	—	—	762	—	762
Other comprehensive loss, net of tax	—	—	—	—	(5,528)	(5,528)	—	(5,528)
Contributions from non-controlling interest	—	—	—	—	—	—	1,280	1,280
Net income (loss)	—	—	—	16,635	—	16,635	(965)	15,670
Balance at June 30, 2013	19,205	\$ 1,921	\$ 36,375	\$ 252,112	\$ (5,500)	\$ 284,908	\$ 1,572	\$ 286,480
Options exercised	798	79	6,640	—	—	6,719	—	6,719
Stock-based compensation	—	—	1,939	—	—	1,939	—	1,939
Conversion of restricted stock units	31	3	(3)	—	—	—	—	—
Common stock repurchased and retired under publicly announced programs	(1,524)	(152)	(2,814)	(33,585)	—	(36,551)	—	(36,551)
Common stock tendered to the Company for the exercise of stock options and retired	(134)	(14)	(3,540)	(29)	—	(3,583)	—	(3,583)
Common stock tendered to the Company for withholding tax obligations and retired	(62)	(6)	—	(1,648)	—	(1,654)	—	(1,654)
Excess tax benefit on stock-based compensation plans	—	—	3,533	—	—	3,533	—	3,533
Other comprehensive income, net of tax	—	—	—	—	881	881	—	881
Contributions from non-controlling interest	—	—	—	—	—	—	1,254	1,254
Net income (loss)	—	—	—	28,823	—	28,823	(1,103)	27,720
Balance at June 29, 2014	18,314	\$ 1,831	\$ 42,130	\$ 245,673	\$ (4,619)	\$ 285,015	\$ 1,723	\$ 286,738

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Cash and cash equivalents at beginning of year	\$ 8,755	\$ 10,886	\$ 27,490
<i>Operating activities:</i>			
Net income including non-controlling interest	27,720	15,670	10,828
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:			
Equity in earnings of unconsolidated affiliates	(19,063)	(11,444)	(19,740)
Distributions received from unconsolidated affiliates	13,214	14,940	10,616
Depreciation and amortization expense	17,896	24,584	27,135
Loss on extinguishment of debt	—	1,102	3,203
Loss on previously held equity interest	—	—	3,656
Non-cash compensation expense, net	2,690	2,287	2,382
Excess tax benefit on stock-based compensation plans	(3,533)	(762)	—
Deferred income taxes	726	6,010	(6,933)
Other	1,649	764	460
Changes in assets and liabilities:			
Receivables, net	4,514	(858)	(4,496)
Inventories	(2,677)	(394)	13,140
Other current assets and income taxes receivable	1,141	(410)	(1,601)
Accounts payable and accruals	1,083	(498)	3,698
Income taxes payable	5,824	(366)	947
Other non-current assets	5,173	(116)	14
Net cash provided by operating activities	<u>56,357</u>	<u>50,509</u>	<u>43,309</u>
<i>Investing activities:</i>			
Capital expenditures	(19,091)	(8,809)	(6,354)
Proceeds from sale of assets	2,719	430	507
Proceeds from other investments	447	694	—
Other investments	—	(1,743)	—
Investments in unconsolidated affiliates	—	—	(360)
Acquisition, net of cash acquired	—	—	(356)
Other	(944)	(343)	(295)
Net cash used in investing activities	<u>(16,869)</u>	<u>(9,771)</u>	<u>(6,858)</u>
<i>Financing activities:</i>			
Payments on notes payable	—	—	(134,010)
Proceeds from revolving credit facilities	149,300	116,700	160,600
Payments on revolving credit facilities	(175,800)	(115,200)	(144,200)
Proceeds from term loans	25,200	—	80,000
Payments on term loans	—	(28,330)	(9,769)
Proceeds from related party term loan	—	1,250	—
Payments of debt financing fees	(400)	(309)	(3,127)
Payments on capital lease obligations	(319)	(69)	(319)
Common stock repurchased and retired under publicly announced programs	(36,551)	(19,315)	—
Common stock tendered to the Company for withholding tax obligations and retired	(1,654)	—	—
Proceeds from stock option exercises	3,136	1,298	71
Excess tax benefit on stock-based compensation plans	3,533	762	—
Contributions from non-controlling interest	1,254	1,280	920
Other	(109)	—	—
Net cash used in financing activities	<u>(32,410)</u>	<u>(41,933)</u>	<u>(49,834)</u>
Effect of exchange rate changes on cash and cash equivalents	74	(936)	(3,221)
Net increase (decrease) in cash and cash equivalents	<u>7,152</u>	<u>(2,131)</u>	<u>(16,604)</u>
Cash and cash equivalents at end of year	<u>\$ 15,907</u>	<u>\$ 8,755</u>	<u>\$ 10,886</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, “we”, the “Company” or “Unifi”), is a multi-national manufacturing company that processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and premier value-added (“PVA”) yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company’s polyester products include polyester polymer beads (“Chip”), partially oriented yarn (“POY”), textured, solution and package dyed, twisted, beamed and draw wound yarns; each is available in virgin or recycled varieties (the latter made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles). The Company’s nylon products include textured, solution dyed and covered spandex products.

The Company maintains one of the textile industry’s most comprehensive yarn product offerings, and it has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States (“U.S.”). The Company’s principal geographic markets for its products 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 PVA and other specialty products in the Asian textile market, primarily in China, as well as in the European market.

Fiscal Year

The Company’s fiscal year ends on the last Sunday in June. The Company’s Brazilian, Colombian and Chinese subsidiaries’ fiscal years end on June 30th. The Company’s fiscal years 2014, 2013 and 2012 ended on June 29, 2014, June 30, 2013 and June 24, 2012, respectively, and there were no significant transactions or events that occurred between the Company’s fiscal year ends and its subsidiaries’ fiscal year ends. The Company’s fiscal years 2014, 2013 and 2012 consisted of 52 weeks, 53 weeks and 52 weeks, respectively.

Reclassifications

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

All dollar and other currency amounts and share amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

2. Summary of Significant Accounting Policies

The Company follows U.S. generally accepted accounting principles (“U.S. GAAP” or “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 entities 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 accounts payable.

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

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 method. Certain foreign inventories and limited categories of supplies inventories are valued using the average cost method. The Company’s estimates for inventory reserves for 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.

Property, Plant and Equipment

Property, plant and equipment (“PP&E”) are stated at historical cost less accumulated depreciation. Plant and equipment under capital leases are stated at the present value of minimum lease payments less accumulated amortization. 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	Five to Fifteen
Computer, software and office equipment	Three to Seven
Internal software development costs	Three
Transportation equipment	Three to Five

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 estimated economic life of the properties, 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, in accordance with the project type, charged to cost of sales or selling, general and administrative (“SG&A”) expenses.

Fully depreciated assets are retained in cost 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, 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 for capital projects requiring a construction period.

PP&E and other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the respective carrying amount may not be recoverable. Long-lived assets to be disposed of by sale within one year 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, non-compete agreements, licenses, trademarks and patents 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.

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

Biomass foundation and feedstock

Biomass foundation and feedstock are stated at historical cost and subject to depreciation at the time that production in commercial quantities begins. Cost includes expenditures associated with land and planting bed preparation, plants and overhead. Cultural care costs are capitalized during the first twelve months of the development period and are subsequently expensed as incurred. Depreciation is calculated utilizing the straight-line method over the estimated productive life of the plantings, generally fifteen years.

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.

Derivative Instruments

All derivatives are carried on the balance sheet at fair value and are classified according to their asset or liability 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 fair-value hedges, 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 loss, until the underlying transactions are recognized in income. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive 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 loss.

Any ineffective portion of a designated hedge is immediately recognized in current period earnings. 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. 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 establishes 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

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

- 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

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recorded to recognize the expected future tax benefits or costs of events that have been, or will be, reported in different tax years for financial statement purposes than for tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which these items are expected to reverse. The Company recognizes tax benefits related to uncertain tax positions if it believes it is more-likely-than-not the benefit will be realized. The Company reviews deferred tax assets to determine if it is more-likely-than-not they will be realized. If the Company determines it is not more-likely-than-not that a deferred tax asset will be realized, it records a valuation allowance to reverse the previously recognized benefit. 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 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, is included in the provision (benefit) 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.

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 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, 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 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 to customers.

Research and Development Costs

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 29, 2014	June 30, 2013	June 24, 2012
Research and development costs	\$ 7,921	\$ 6,938	\$ 6,763

Selling, General and Administrative Expenses

The major components of SG&A expenses are: (a) cost of the Company’s sales force, marketing and advertising 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.

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

Advertising Costs

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Advertising costs	\$ 2,953	\$ 3,777	\$ 1,811

Restructuring Charges

Restructuring charges for the relocation of equipment, disposal costs, severance 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

In May 2014, the Financial Accounting Standards Board issued new accounting guidance for the recognition of revenue from contracts with customers, which will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company's fiscal year 2018, and early adoption is not permitted. The Company is evaluating the effect the new guidance will have on its consolidated financial statements and related disclosures. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

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

4. Acquisitions

Acquisition of Draw Winding Business from Dillon Yarn Corporation

On December 2, 2013, the Company acquired certain draw winding assets and the associated business from American Drawtech Company, Inc. ("ADC"), a division of Dillon Yarn Corporation ("Dillon"), pursuant to the exercise of an option granted to the Company under the terms of a commissioning agreement with Dillon, for \$2,934, which included accounts payable and an accrued contingent liability. The assets acquired include Dillon's draw winding inventory and production machinery and equipment. This acquisition increased the Company's polyester production capacity and has allowed the Company to expand its presence in targeted industrial, belting, hose and thread markets by increasing its product offerings to include mid-tenacity flat yarns. Mr. Mitchel Weinberger, a member of the Company's Board of Directors (the "Board"), is also Dillon's president and chief operating officer and an executive vice president and a director of ADC. Since the acquisition date, the business has generated \$3,663 in net sales for the Company's Polyester Segment.

The acquisition has been accounted for as a business combination, which requires assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The Company concluded that the acquisition did not represent a material business combination. The fair value of the assets acquired, liabilities assumed and consideration transferred are as follows:

Assets:

Inventory	\$ 434
Machinery and equipment	835
Customer list	1,615
Non-compete agreement	50
Total assets	\$ 2,934

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

Liabilities:

Accounts payable	\$	434
Contingent consideration		2,500
Total liabilities	\$	<u>2,934</u>

The contingent consideration liability represents the present value of the expected future payments due to Dillon over the five-year period following the acquisition date. The payments due are equal to one-half of the operating profit of the draw winding business, as calculated using an agreed upon definition. The assumptions used in estimating the contingent consideration liability were based on inputs not observable in the market and represent Level 3 fair value measurements. These estimates are reviewed each quarter and any adjustment is recorded through operating income.

See “Note 9. Intangible Assets, Net” for further discussion of the customer list and non-compete agreement.

See “Note 18. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities” for further discussion of the recurring measurement of the contingent consideration.

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 intended for use as a feedstock 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. Recently, Renewables has been conducting trials and exploring potential applications for poultry bedding. Renewables’ success will depend on its ability to commercialize FGM, license individual growers of FGM, sell feedstock to biomass conversion facilities and capitalize on other opportunities, including poultry bedding. 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 from the third Renewables member for \$500. The additional membership interest purchased by the Company was paid for with available cash. Using the amounts paid per membership unit in the October 6, 2011 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 fiscal quarter ended December 25, 2011. Reconciliation of the non-operating loss is as follows:

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 the previously held equity interest	\$	1,000
Less: Investment in Renewables		(4,656)
Loss on previously held equity interest in Renewables	\$	<u>(3,656)</u>

The total fair value of Renewables at that time 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>

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

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

	Amortization Period (years)	Estimated Value
Non-compete agreement	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. Prior to the acquisition, the Company's share of Renewables' losses were recorded as equity in earnings of unconsolidated affiliates. 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. As Renewables is a development stage enterprise with limited operating activities, the results of Renewables' operations since the acquisition are presented within other operating expense, net.

Renewables' operating expenses are funded through contributions from its members. Since October 6, 2011, contributions from the non-controlling interest have totaled \$3,454.

5. Receivables, Net

Receivables, net consist of the following:

	June 29, 2014	June 30, 2013
Customer receivables	\$ 95,282	\$ 99,324
Allowance for uncollectible accounts	(1,035)	(972)
Reserves for yarn quality claims	(618)	(893)
Net customer receivables	93,629	97,459
Related party receivables	5	204
Other receivables	291	729
Total receivables, net	<u>\$ 93,925</u>	<u>\$ 98,392</u>

Other receivables consist primarily of receivables for duty drawback, interest, value-added tax and refunds from vendors.

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 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	\$ (1,118)	\$ (939)
Charged to costs and expenses	154	(1,881)
Charged to other accounts	30	8
Deductions	(38)	1,919
Balance at June 30, 2013	\$ (972)	\$ (893)
Charged to costs and expenses	(287)	(1,726)
Charged to other accounts	(20)	2
Deductions	244	1,999
Balance at June 29, 2014	<u>\$ (1,035)</u>	<u>\$ (618)</u>

Amounts charged to costs and expenses for the allowance for uncollectible accounts are reflected in the provision (benefit) for bad debts and 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 and 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.

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

6. Inventories

Inventories consist of the following:

	June 29, 2014	June 30, 2013
Raw materials	\$ 42,244	\$ 42,001
Supplies	5,345	5,286
Work in process	7,404	6,237
Finished goods	59,716	58,179
Gross inventories	114,709	111,703
Inventory reserves	(1,339)	(1,036)
Total inventories	<u>\$ 113,370</u>	<u>\$ 110,667</u>

The cost for the majority of the Company's inventories is determined using the first-in, first-out method. Certain foreign inventories and limited categories of supplies of \$32,822 and \$31,877 as of June 29, 2014 and June 30, 2013, respectively, were valued under the average cost method.

7. Other Current Assets

Other current assets consist of the following:

	June 29, 2014	June 30, 2013
Vendor deposits	\$ 2,369	\$ 2,633
Value added taxes receivable	1,197	1,729
Prepaid expenses	1,876	1,376
Other investments	234	166
Other	376	9
Total other current assets	<u>\$ 6,052</u>	<u>\$ 5,913</u>

Vendor deposits primarily relate to down payments made toward the purchase of raw materials by the Company's U.S., Brazilian and Chinese operations. Value added taxes receivable are recoverable taxes associated with the sales and purchase activities of the Company's foreign operations. Prepaid expenses consist of advance payments for insurance, professional fees, membership dues, subscriptions, non-income related tax payments, marketing and information technology services.

Other investments relate to cash held by the Company's Colombian subsidiary within an investment fund of a financial institution located in Colombia that is currently being liquidated. Since December 2012, the fund administrator, in accordance with Colombian regulations, has issued five notifications of reductions in the portfolio value resulting in the Company recording impairment charges of \$386 in other operating expense, net. To date, the Company has received payments in accordance with the court mandated schedule of \$1,141 plus interest. The carrying value of \$234 at June 29, 2014 is expected to be received within the next twelve months.

As of June 29, 2014, other consists primarily of premiums on a split dollar life insurance policy that represents the value of the Company's right of return on premiums paid for a retiree-owned insurance contract that matures in 2015.

8. Property, Plant and Equipment, Net

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

	June 29, 2014	June 30, 2013
Land	\$ 2,957	\$ 2,949
Land improvements	11,676	11,676
Buildings and improvements	145,458	144,833
Assets under capital leases	4,587	1,234
Machinery and equipment	532,650	526,910
Computers, software and office equipment	17,404	16,647
Transportation equipment	4,901	4,866
Construction in progress	6,896	5,691
Gross property, plant and equipment	726,529	714,806
Less: accumulated depreciation	(602,436)	(599,592)
Less: accumulated amortization – capital leases	(291)	(50)
Total property, plant and equipment, net	<u>\$ 123,802</u>	<u>\$ 115,164</u>

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

During fiscal year 2014, the Company entered into four capital leases with an aggregate present value of \$3,353 for certain machinery and transportation equipment.

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

	June 29, 2014	June 30, 2013
Internal software development costs	\$ 2,318	\$ 2,166
Accumulated amortization	(2,075)	(1,932)
Net internal software development costs	<u>\$ 243</u>	<u>\$ 234</u>

Depreciation expense, including the amortization of assets under capital leases, internal software development costs amortization, repairs and maintenance expenses, and capitalized interest were as follows:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Depreciation expense	\$ 15,031	\$ 21,597	\$ 23,650
Internal software development costs amortization	143	128	236
Repair and maintenance expenses	18,319	18,649	16,270
Capitalized interest	172	36	—

9. Intangible Assets, Net

Intangible assets, net consist of the following:

	June 29, 2014	June 30, 2013
Customer lists	\$ 23,615	\$ 22,000
Non-compete agreements	4,293	4,243
Licenses	265	265
Trademarks	339	246
Patents	162	—
Total intangible assets, gross	<u>28,674</u>	<u>26,754</u>
Accumulated amortization - customer lists	(17,838)	(15,993)
Accumulated amortization - non-compete agreements	(3,214)	(2,895)
Accumulated amortization - licenses	(86)	(55)
Accumulated amortization - trademarks	(141)	(39)
Accumulated amortization - patents	(1)	—
Total accumulated amortization	<u>(21,280)</u>	<u>(18,982)</u>
Total intangible assets, net	<u>\$ 7,394</u>	<u>\$ 7,772</u>

In fiscal year 2007, the Company purchased the texturing operations of 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 amortized in a manner which reflects the expected economic benefit that will be received over its thirteen-year life. The non-compete agreement is amortized using the straight line method over the period currently covered by the agreement. The amortization expense is included within the Polyester Segment's depreciation and amortization expense.

On December 2, 2013, the Company acquired certain draw winding assets and the associated business from Dillon, as described in "Note 4. Acquisitions." A customer list and a non-compete agreement were recorded in connection with the business combination, utilizing similar valuation methods as described above for the fiscal year 2007 transaction. The customer list is amortized over a nine-year estimated useful life based on the expected economic benefit. The non-compete agreement is amortized using the straight line method over the five-year term of the agreement. The amortization expense is included within the Polyester Segment's depreciation and amortization expense.

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

During fiscal year 2012, the Company acquired a controlling interest in Renewables, as described in “Note 4. Acquisitions.” The non-compete agreement acquired is amortized using the straight line method over the five-year term of the agreement. The licenses acquired are amortized using the straight line method over their estimated useful lives of four to eight years.

The Company capitalizes expenses incurred to register trademarks for REPREVE® and other PVA products in various countries. The Company has determined that these trademarks have varying useful lives of up to three years and are being amortized using the straight line method.

Amortization expense for intangible assets consists of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Customer lists	\$ 1,845	\$ 1,837	\$ 2,022
Non-compete agreements	319	313	327
Licenses	31	38	28
Trademarks	102	39	—
Patents	1	—	—
Total amortization expense	<u>\$ 2,298</u>	<u>\$ 2,227</u>	<u>\$ 2,377</u>

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

	2015	2016	2017	2018	2019
Expected amortization	<u>\$ 2,070</u>	<u>\$ 1,671</u>	<u>\$ 1,356</u>	<u>\$ 1,024</u>	<u>\$ 693</u>

10. Other Non-Current Assets

Other non-current assets consist of the following:

	June 29, 2014	June 30, 2013
Biomass foundation and feedstock	\$ 2,683	\$ 1,852
Debt financing fees	2,093	2,117
Long-term deposits	295	5,050
Other investments	—	674
Other	15	550
Total other non-current assets	<u>\$ 5,086</u>	<u>\$ 10,243</u>

Biomass foundation and feedstock are currently being developed and propagated by Renewables for potential markets in the poultry bedding and bioenergy industries. Long-term deposits consist primarily of vendor deposits subsequent to the refunds of a domestic utility company deposit and a value-added tax deposit received in fiscal year 2014. See “Note 7. Other Current Assets” for further discussion of other investments and other, relating to amounts classified as current at June 29, 2014.

11. Accrued Expenses

Accrued expenses consist of the following:

	June 29, 2014	June 30, 2013
Payroll and fringe benefits	\$ 12,406	\$ 11,676
Utilities	2,876	3,058
Property taxes	821	798
Contingent consideration	537	—
Severance	374	1,049
Interest	102	102
Retiree medical liability	62	106
Other	1,411	1,696
Total accrued expenses	<u>\$ 18,589</u>	<u>\$ 18,485</u>

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

Accrued severance is comprised of the current portion of amounts due under severance agreements between the Company and two of its former executive officers and certain other employees. See “Note 21. Other Operating Expense, Net” for further discussion of severance costs. Other consists primarily of workers compensation and other employee-related claims, marketing expenses, freight expenses, rent and other non-income related taxes.

12. Long-Term Debt

Debt Obligations

The following table presents a summary of the total balances outstanding for the Company’s debt obligations, their scheduled maturity dates and the weighted average interest rate for borrowings (including the effects of any interest rate swaps) as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of June 29, 2014	Principal Amounts as of	
			June 29, 2014	June 30, 2013
ABL Revolver	March 2019	3.1%	\$ 26,000	\$ 52,500
ABL Term Loan	March 2019	2.9%	68,000	42,800
Term loan from unconsolidated affiliate	August 2015	3.0%	1,250	1,250
Capital lease obligations	(1)	(2)	4,238	1,203
Total debt			99,488	97,753
Current portion of long-term debt			(7,215)	(65)
Total long-term debt			\$ 92,273	\$ 97,688

(1) Scheduled maturity dates for capital lease obligations range from January 2017 to November 2027.

(2) Fixed interest rates for capital lease obligations range from 2.3% to 4.6%.

On May 24, 2012, the Company entered into a credit agreement (the “Credit Agreement”) to establish a \$150,000 senior secured credit facility (“ABL Facility”) with Wells Fargo Bank, N.A. and Bank of America, N.A. In addition, the Company entered into a \$30,000 term loan (“Term B Loan”). The purpose of entering into the ABL Facility and the Term B Loan was to, among other things, refinance the Company’s then-existing indebtedness. Since that establishment, the Term B Loan has been repaid (on January 8, 2013), and the ABL Facility has been amended several times (most recently on August 25, 2014), such that, as of June 29, 2014, it had a maturity date of March 28, 2019, and consisted of a \$100,000 revolving credit facility (“ABL Revolver”) and a \$68,000 term loan (“ABL Term Loan”). As a result of the last amendment entered into after the end of fiscal year 2014 (which is described more specifically below under “—Subsequent Event – Fifth Amendment”), the ABL Term Loan increased to \$90,000.

ABL Facility

The ABL Facility is secured by a first-priority security interest in substantially all owned property and assets (together with proceeds and products) of Unifi, Inc., Unifi Manufacturing, Inc. and certain subsidiary guarantors (the “Loan Parties”). It is also secured by a first-priority security interest in all (or 65% in the case of first tier controlled foreign corporations) 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, together with all proceeds and products thereof. The ABL Facility is further secured by a first-priority lien on the Company’s limited liability company membership interest in Parkdale America, LLC (“PAL”).

The Credit Agreement, as amended, 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 defined Trigger Level, a 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. The Trigger Level as of June 29, 2014 was \$21,000. In addition, the ABL Facility contains restrictions on certain payments and investments, including restrictions on the payment of dividends and share repurchases, unless excess availability is greater than the Trigger Level for the thirty-day period prior to the making of such a distribution (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).

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 (“LIBOR”) 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 payable on a monthly basis. The applicable margin is based on the average quarterly excess availability under the ABL Revolver. The Base Rate means the greater of (i) the prime lending rate as publicly announced from time to time by Wells Fargo, (ii) the Federal Funds Rate plus 0.5%, and (iii) LIBOR plus 1.0%. There is also a monthly unused line fee under the ABL Revolver of 0.25% to 0.375% of the unused line amount.

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

As of June 29, 2014, the ABL Term Loan bore interest at LIBOR plus an applicable margin of 2.25%, or the Base Rate plus an applicable margin of 1.25%, with interest payable on a monthly basis. Subject to certain provisions, 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.

As of June 29, 2014, under the terms of the ABL Facility, the Company was required to hedge at least \$50,000 of variable interest rate exposure, so long as the outstanding principal of all indebtedness having variable rates of interest exceeds \$75,000.

First Amendment

On December 27, 2012, the Company entered into a First Amendment to Credit Agreement ("First Amendment") to amend certain terms of the ABL Facility in connection with the Company's then-anticipated January 8, 2013 repayment of all amounts outstanding under the Term B Loan. The First Amendment revised the definition of fixed charges within the Credit Agreement for the ABL Facility and within the Company's fixed charge coverage ratio calculation to exclude any mandatory or optional prepayments of the Term B Loan made after December 25, 2012 and prior to February 4, 2013, in an amount not to exceed \$13,800, subject to the satisfaction of certain specified conditions (which were met by the Company). An amendment fee of \$50 was paid to the participating lenders during the quarter ended March 24, 2013.

Second Amendment

On June 25, 2013, the Company entered into a Second Amendment to Credit Agreement ("Second Amendment"). The Second Amendment, among other things: (i) extended the maturity date of the ABL Facility from May 24, 2017 to May 24, 2018; (ii) authorized the ABL Term Loan amount to be increased from its then existing balance of \$42,800 to \$50,000; (iii) replaced the \$1,800 quarterly ABL Term Loan principal payments with payments (if any) based on the amount that the outstanding balance of the ABL Term Loan exceeds a calculation of eligible collateral; (iv) reduced the ABL Term Loan interest rate from 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%, to LIBOR plus an applicable margin of 2.25%, or the Base Rate plus an applicable margin of 1.25%; (v) revised the definition of fixed charges for purposes of the Company's fixed charge coverage ratio calculation to exclude ABL Term Loan voluntary principal prepayments and all principal prepayments of the Term B Loan; (vi) revised the definition of fixed charge coverage ratio to exclude share repurchases permitted under the Credit Agreement; (vii) increased the trigger level for the financial covenant which requires the Company to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.0 when excess availability under the ABL Revolver falls below the greater of \$10,000 or 20% of the maximum revolver amount (from the previous trigger level of the greater of \$10,000 or 15% of the maximum revolver amount); (viii) required excess availability to not be less than \$20,000 at any time during the thirty day period prior to the making of restricted payments consisting of dividends and share repurchases; (ix) after July 19, 2015, allowed the Company to reset the calculation of eligible machinery and equipment and eligible real property collateral specific to the ABL Term Loan (the "Collateral Reset"), such that the ABL Term Loan amount could be increased to \$50,000 (the "ABL Term Loan Reload"), upon satisfaction of certain additional conditions at the time of the reload; and (x) reduced the letter of credit sublimit to \$10,000. Some of the foregoing items were subject to satisfaction of certain conditions, including updated real estate appraisals, which conditions were subsequently satisfied on July 19, 2013. An amendment fee of \$125 was paid to the participating lenders during the quarter ended June 30, 2013.

Third Amendment

On January 16, 2014, the Company entered into a Third Amendment to Credit Agreement ("Third Amendment"). The Third Amendment, among other things: (i) revised the definition of permitted indebtedness to allow the Company to enter into permitted sales and leaseback transactions of equipment in an aggregate amount not to exceed \$4,000 per fiscal year; (ii) revised the definition of permitted dispositions to increase the amount of certain asset sales or dispositions from \$500 to \$4,000 per fiscal year; and (iii) revised the mandatory prepayment provision to increase the amount of net proceeds received from certain permitted dispositions that would be required to prepay the outstanding ABL Facility debt from \$500 to \$4,000 per fiscal year. No amendment fee was required.

Fourth Amendment

On March 28, 2014, the Company entered into a Fourth Amendment to Credit Agreement ("Fourth Amendment"). The Fourth Amendment, among other things: (i) increased the ABL Term Loan by \$18,000 to \$68,000; (ii) beginning October 1, 2014, requires \$2,125 of fixed quarterly payments on the ABL Term Loan; (iii) extended the maturity date of the ABL Facility from May 24, 2018 to March 28, 2019; (iv) modified the calculation of the fixed charge coverage ratio to exclude certain capital expenditures, at the election of the Company, through June 30, 2015, subject to a maximum exclusion of \$18,000 for any consecutive twelve month period and other limitations; (v) modified the definition of the trigger level, such that it is reached when excess availability under the ABL Revolver falls below the greater of \$10,000, 20% of the maximum revolver amount or 12.5% of the sum of the maximum revolver amount plus the outstanding principal amount of the ABL Term Loan; and (vi) increased the ABL Term Loan Reload amount from \$50,000 to \$68,000. An amendment fee of \$150 was paid to the participating lenders during the quarter ended June 29, 2014.

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

Subsequent Event - Fifth Amendment

On August 25, 2014, the Company entered into a Fifth Amendment to Credit Agreement (“Fifth Amendment”). The Fifth Amendment, among other things: (i) increased the ABL Term Loan by \$22,000 to \$90,000; (ii) increased the fixed quarterly payments on the ABL Term Loan from \$2,125 to \$2,812; (iii) modified the calculation of the fixed charge coverage ratio to exclude certain capital expenditures and permitted acquisitions, at the election of the Company, through June 30, 2015, subject to a maximum exclusion of \$40,000 for any consecutive twelve-month period and other limitations; (iv) increased the ABL Term Loan interest rate from LIBOR plus an applicable margin of 2.25%, or the Base Rate plus an applicable margin of 1.25%, to LIBOR plus an applicable margin of 2.50%, or the Base Rate plus an applicable margin of 1.50%; (v) modified the date on which the eligibility of certain collateral is calculated as a date between July 19, 2015 and December 31, 2015, subject to satisfaction of certain additional conditions, such that the ABL Term Loan amount can be increased up to \$90,000; (vi) related to the making of restricted payments (consisting of dividends and share repurchases), in addition to existing requirements, added a requirement to have a fixed charge coverage ratio of at least 1.0 to 1.0 during the same period, calculated on a pro forma basis as if all such restricted payments made pursuant to the most recent compliance certificate date were made on the last day of the applicable twelve-fiscal-month period; and (vii) removed the requirement to hedge interest rate exposure on funded indebtedness. An amendment fee of \$95 was paid to the participating lenders during the quarter ending September 28, 2014.

As of June 29, 2014, the Company was in compliance with all financial covenants; the excess availability under the ABL Revolver was \$61,103; the fixed charge coverage ratio was 10.3 to 1.0; and the Company had \$2,325 of standby letters of credit, none of which have been drawn upon.

Term Loan from Unconsolidated Affiliate

On August 30, 2012, a foreign subsidiary of the Company entered into an unsecured loan agreement under which it borrowed \$1,250 from the Company’s unconsolidated affiliate, U.N.F. Industries Ltd. The loan bears interest at 3% with interest payable semi-annually and does not amortize. During fiscal year 2014, the maturity date was extended from August 30, 2014 to August 30, 2015, at which time the entire principal balance is due.

Capital Lease Obligations

On November 19, 2012, the Company entered into a capital lease with Salem Leasing Corporation for certain transportation equipment. The present value of the fifteen-year lease was \$1,234 and payments are made monthly. The implicit annual interest rate under the lease is approximately 4.6%.

During fiscal year 2014, the Company entered into four capital leases with an unrelated third party for certain machinery and equipment, with an aggregate present value of \$3,353.

Scheduled Debt Maturities

The following table presents the scheduled maturities of the Company’s outstanding debt obligations for the following five fiscal years and thereafter:

	Scheduled Maturities on a Fiscal Year Basis					
	2015	2016	2017	2018	2019	Thereafter
ABL Revolver	\$ —	\$ —	\$ —	\$ —	\$ 26,000	\$ —
ABL Term Loan	6,375	8,500	8,500	8,500	36,125	—
Capital lease obligations	840	866	808	558	366	800
Term loan from unconsolidated affiliate	—	1,250	—	—	—	—
Total	\$ 7,215	\$ 10,616	\$ 9,308	\$ 9,058	\$ 62,491	\$ 800

Debt Financing Fees

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

	June 29, 2014	June 30, 2013
Balance at beginning of year	\$ 2,117	\$ 2,870
Amounts paid related to debt refinancing	—	113
Amounts paid related to debt modification	400	197
Amortization charged to interest expense	(424)	(632)
Amounts charged to extinguishment of debt due to prepayments	—	(431)
Balance at end of year	<u>\$ 2,093</u>	<u>\$ 2,117</u>

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

Interest Expense

Interest expense consists of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Interest on ABL Facility	\$ 3,292	\$ 3,673	\$ 1,920
Interest on Term B Loan	—	722	198
Interest on 11.5% Senior Secured Notes	—	—	13,045
Other	192	107	40
Subtotal	<u>3,484</u>	<u>4,502</u>	<u>15,203</u>
Reclassification adjustment for interest rate swap	554	322	—
Amortization of debt financing fees	424	632	870
Mark-to-market adjustment for interest rate swap	39	(931)	—
Interest capitalized to property, plant and equipment, net	(172)	(36)	—
Subtotal	<u>845</u>	<u>(13)</u>	<u>870</u>
Total interest expense	<u>\$ 4,329</u>	<u>\$ 4,489</u>	<u>\$ 16,073</u>

Loss on Extinguishment of Debt

The components of loss on extinguishment of debt consist of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Prepayment call premium for 11.5% Senior Secured Notes	\$ —	\$ —	\$ 288
Prepayment call premium and other costs for Term B Loan	—	671	284
Non-cash charges due to write-off of debt financing fees	—	431	2,631
Loss on extinguishment of debt	<u>—</u>	<u>1,102</u>	<u>3,203</u>

13. Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	June 29, 2014	June 30, 2013
Supplemental post-employment plan	\$ 3,173	\$ 2,665
Contingent consideration	2,026	—
Uncertain tax positions	1,101	1,275
Interest rate swap	363	324
Other	886	789
Total other long-term liabilities	<u>\$ 7,549</u>	<u>\$ 5,053</u>

The Company maintains an unfunded supplemental post-employment plan for certain management employees. Each employee's account is credited annually based upon a percentage of the participant's 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 employment. Amounts charged to SG&A expenses for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012 were \$780, \$775 and \$394, respectively.

Contingent consideration represents the present value of the long-term portion of contingent payments associated with the Company's December 2013 acquisition of Dillon's draw winding business. See "Note 18. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities" for further discussion.

Other primarily includes certain retiree and post-employment medical and disability liabilities and deferred energy incentive credits.

14. Income Taxes

Components of income before income taxes

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
United States	\$ 38,816	\$ 16,900	\$ 3,010
Foreign	9,065	12,114	5,839
Income before income taxes	<u>\$ 47,881</u>	<u>\$ 29,014</u>	<u>\$ 8,849</u>

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

Components of provision (benefit) for income taxes

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Current:			
Federal	\$ 14,463	\$ 2,399	\$ 457
State	1,035	119	69
Foreign	4,092	5,210	4,549
	<u>19,590</u>	<u>7,728</u>	<u>5,075</u>
Deferred:			
Federal	183	7,086	(2,733)
State	900	542	(3,285)
Foreign	(512)	(2,012)	(1,036)
	<u>571</u>	<u>5,616</u>	<u>(7,054)</u>
Provision (benefit) for income taxes	\$ 20,161	\$ 13,344	\$ (1,979)

Federal deferred tax expense includes the utilization of net operating loss carryforwards of \$7,904 and \$8,930 for fiscal years June 30, 2013 and June 24, 2012, respectively. State deferred tax expense includes the utilization of net operating loss carryforwards of \$499, \$825 and \$307 for fiscal years June 29, 2014, June 30, 2013 and June 24, 2012, respectively. Foreign deferred tax expense includes the utilization of net operating loss carryforwards of \$216, \$258 and \$601 for fiscal years June 29, 2014, June 30, 2013 and June 24, 2012, respectively.

Effective income tax rate

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	2.8	2.1	0.5
Foreign income taxed at different rates	(0.7)	(0.1)	(7.3)
Repatriation of foreign earnings	0.4	1.1	71.6
Unremitted foreign earnings, net of foreign tax credit	0.5	1.0	54.2
Change in valuation allowance	4.5	10.3	(180.2)
Domestic production activities deduction	(2.3)	(1.2)	—
Research and other credits	(0.3)	(3.5)	—
Nondeductible expenses and other	2.2	1.3	3.8
Effective tax rate	<u>42.1%</u>	<u>46.0%</u>	<u>(22.4%)</u>

The Company's effective tax rate for the year ended June 29, 2014 was significantly impacted by the increase in the valuation allowance primarily related to equity investments, partially offset by the domestic production activities deduction, research and development credits and other credits.

Deferred income taxes

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

	June 29, 2014	June 30, 2013
Deferred tax assets:		
Investments, including unconsolidated affiliates	\$ 13,682	\$ 12,318
State tax credits	85	314
Accrued liabilities and valuation reserves	4,187	4,189
Net operating loss carryforwards	1,635	1,980
Intangible assets	5,259	6,220
Foreign tax credits	2,588	2,588
Incentive compensation plans	2,896	3,070
Other items	5,167	3,577
Total gross deferred tax assets	<u>35,499</u>	<u>34,256</u>
Valuation allowance	(18,615)	(16,690)
Net deferred tax assets	<u>16,884</u>	<u>17,566</u>
Deferred tax liabilities:		
Property, plant and equipment	(6,709)	(6,770)
Unremitted foreign earnings	(7,639)	(7,390)
Other	(618)	(795)
Total deferred tax liabilities	<u>(14,966)</u>	<u>(14,955)</u>
Net deferred tax asset	<u>\$ 1,918</u>	<u>\$ 2,611</u>

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

Deferred income taxes - valuation allowance

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. Since the Company operates in multiple jurisdictions, the assessment is made on a jurisdiction-by-jurisdiction basis, taking into account the effects of local tax law.

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Balance at beginning of the year	\$ (16,690)	\$ (13,911)	\$ (30,164)
Charged to costs and expenses	(1,925)	(3,243)	15,847
Charged to other accounts	—	464	239
Deductions	—	—	167
Balance at end of year	<u>\$ (18,615)</u>	<u>\$ (16,690)</u>	<u>\$ (13,911)</u>

Based on the assessment at June 29, 2014, the Company has recorded a valuation allowance of \$18,615, of which \$15,459 related to reserves against certain domestic deferred tax assets primarily related to equity investments and foreign tax credits as well as \$3,156 related to reserves against certain deferred tax assets of the Company's foreign subsidiaries primarily related to net operating loss carryforwards and equity investments.

During fiscal year 2014, the Company's valuation allowance increased by \$1,925. This increase consists of \$1,368 related to certain domestic equity investments and \$557 related to equity investments and net operating loss carryforwards of the Company's foreign subsidiaries.

At June 30, 2013, the Company had recorded a valuation allowance of \$16,690, of which \$14,091 related to reserves against certain domestic deferred tax assets primarily related to equity investments and foreign tax credits as well as \$2,599 related to reserves against certain deferred tax assets of the Company's foreign subsidiaries primarily related to net operating loss carryforwards and equity investments.

During fiscal year 2013, the Company's valuation allowance increased by \$2,779. This increase consisted of \$3,428 related to certain foreign and domestic equity investments partially offset by a decrease of \$649 related to certain foreign net operating loss carryforwards and temporary items. Deferred tax expense was reduced by \$424.

At June 24, 2012, the Company had recorded a valuation allowance of \$13,911, of which \$11,194 related to reserves against certain domestic deferred tax assets primarily related to equity investments and foreign tax credits as well as \$2,717 related to equity investments and net operating loss carryforwards of the Company's foreign subsidiaries.

During fiscal year 2012, the Company's valuation allowance decreased \$16,253. This decrease consisted of \$17,498 primarily due to the utilization of domestic federal and state net operating loss carryforwards during the year and the reversal of the valuation allowance for various deferred tax assets based on projected future taxable income, partially offset by \$1,245 related to certain foreign equity investments. Deferred tax expense was reduced by \$6,017 and \$239 was recorded to accumulated other comprehensive loss.

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Notes to Consolidated Financial Statements – (Continued)

Unrecognized tax benefits

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Balance at beginning of the year	\$ 964	\$ 1,154	\$ 775
Gross increases related to current period tax positions	78	250	6
Gross increases related to tax positions in prior periods	68	—	400
Gross decreases related to settlements with tax authorities	(2)	—	—
Gross decreases related to lapse of applicable statute of limitations	(125)	(440)	(27)
Balance at end of year	<u>\$ 983</u>	<u>\$ 964</u>	<u>\$ 1,154</u>

Unrecognized tax benefits would generate a favorable impact of \$935 on the Company's effective tax rate when recognized. The Company expects uncertain tax positions to decrease by \$107 within the next twelve months due to statute expirations on certain positions. Interest and penalties recognized by the Company within provision (benefit) for income taxes were \$(193), \$(250) and \$9 for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, respectively. The Company has \$118, \$311 and \$561 accrued for interest and/or penalties related to uncertain tax positions as of June 29, 2014, June 30, 2013 and June 24, 2012, respectively.

Expiration of net operating loss carryforwards and foreign tax credits

As of June 29, 2014, the Company has \$8,876 of state net operating loss carryforwards, for which no valuation allowance is established, 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. These carryforwards, if unused, will expire as follows:

State net operating loss carryforwards	2015 through 2033
Foreign tax credit carryforwards	2021

Tax years subject to examination

The Company and its domestic subsidiaries file a consolidated federal income tax return, as well as income tax returns in multiple 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. During the third quarter of fiscal year 2013, the Internal Revenue Service completed an audit of the Company's 2010 tax year, with no changes being made to the tax return reported. The Company remains subject to income tax examinations for U.S. federal income taxes for tax years 2011 through 2013, for foreign income taxes for tax years 2008 through 2013, and for state and local income taxes for tax years 2009 through 2013. The U.S. federal returns and certain state tax returns filed for the 2011 through 2013 tax years have utilized carryforward tax attributes generated in prior tax years, including net operating losses that could potentially be revised upon examination.

Indefinite reinvestment assertion

During fiscal year 2014, the Company increased the amount of foreign earnings expected to be repatriated by \$713. The Company has plans to repatriate \$21,827 of future cash flows generated from its operations in Brazil and has a deferred tax liability of \$7,639 to reflect the additional income tax that would be due as a result of these plans. As of June 29, 2014, \$30,643 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. Computation of the potential tax liabilities associated with unremitted earnings permanently reinvested is not practicable.

15. Shareholders' Equity

During fiscal year 2014, the Company completed its repurchase of shares under its \$50,000 stock repurchase program that had been approved by the Board on January 22, 2013 (the "2013 SRP"). On April 23, 2014, the Board approved a new stock repurchase program ("2014 SRP") to acquire up to an additional \$50,000 of the Company's common stock. Under the 2014 SRP (as was the case under the 2013 SRP), the Company has been authorized to repurchase shares at prevailing market prices, through open market purchases or privately negotiated transactions at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases are expected to be financed through cash generated from operations and borrowings under the Company's ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. The 2014 SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

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

The following table summarizes the Company's repurchases and retirements of its common stock under the 2013 SRP and the 2014 SRP.

	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Approximate Dollar Value that May Yet Be Repurchased Under the 2014 SRP
Fiscal year 2013	1,068	\$ 18.08	
Fiscal year 2014	1,524	\$ 23.96	
Total	2,592	\$ 21.54	\$ 44,169

All repurchased shares have been retired and have the status of authorized and unissued shares. The cost of the repurchased shares is recorded as a reduction to common stock to the extent of the par value of the shares acquired and the remainder is allocated between capital in excess of par value and retained earnings. The portion of the remainder that is allocated to capital in excess of par value is limited to a pro rata portion of capital in excess of par value.

No dividends were paid in the last three fiscal years.

16. Stock Based Compensation

On October 23, 2013, the Company's shareholders approved the Unifi, Inc. 2013 Incentive Compensation Plan (the "2013 Plan"). The 2013 Plan replaced the 2008 Unifi, Inc. Long-Term Incentive Plan ("2008 LTIP"). No additional awards will be granted under the 2008 LTIP; however, prior awards outstanding under the 2008 LTIP remain subject to that plan's provisions. The 2013 Plan authorized the issuance of 1,000 shares of common stock, subject to certain increases in the event outstanding awards under the 2008 LTIP expire, are forfeited or otherwise terminate unexercised.

Stock options

During fiscal years 2014, 2013 and 2012, the Company granted stock options to purchase 97, 138 and 127 shares of stock, respectively, to certain key employees. The stock options vest ratably over the required three-year service period and have ten-year contractual terms. For the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, the weighted average exercise price of the options granted was \$22.31, \$11.15 and \$12.47 per share, respectively. The Company used the Black-Scholes model to estimate the weighted average grant date fair value of \$14.66, \$7.28 and \$7.88 per share, respectively.

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Expected term (years)	7.4	7.5	6.3
Risk-free interest rate	2.1%	1.0%	2.0%
Volatility	65.9%	66.9%	68.2%
Dividend yield	—	—	—

The Company uses historical data to estimate the expected term and volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant for periods corresponding with the expected term of the options.

A summary of stock option activity for the fiscal year ended June 29, 2014 is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at June 30, 2013	1,541	\$ 8.41		
Granted	97	\$ 22.31		
Exercised	(798)	\$ 8.41		
Forfeited	(33)	\$ 13.69		
Expired	(7)	\$ 20.55		
Outstanding at June 29, 2014	<u>800</u>	\$ 9.77	5.9	\$ 14,123
Vested and expected to vest as of June 29, 2014	795	\$ 9.73	5.9	\$ 14,080
Exercisable at June 29, 2014	588	\$ 7.55	5.1	\$ 11,688

At June 29, 2014, 13 non-vested options are subject to a market condition that vests the options on the date that the closing price of the Company's common stock on the New York Stock Exchange has been at least \$30 per share for thirty consecutive trading days. During fiscal year 2014, 14 options subject to a similar market condition at a threshold of \$24 per share vested and were outstanding as of June 29, 2014. The weighted average exercise price of such 27 options subject to a market condition is \$8.16.

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

At June 29, 2014, the remaining unrecognized compensation cost related to the unvested stock options was \$706, which is expected to be recognized over a weighted average period of 1.9 years.

For the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, the total intrinsic value of options exercised was \$12,963, \$1,937 and \$40, respectively. The amount of cash received from the exercise of options was \$3,136, \$1,298 and \$71 for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, respectively. The tax benefit realized from stock options exercised was \$4,934, \$680 and \$1 for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, respectively.

Restricted stock units

During fiscal years 2014, 2013 and 2012, the Company granted 22, 32 and 64 restricted stock units (“RSUs”), respectively, 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 over a three-year period, and will be converted into an equivalent number of shares of stock (for distribution to the grantee) on each vesting date, unless the grantee has elected to defer the receipt of the shares of stock until separation from service. If, after the first anniversary of the grant date and prior to the final vesting date, the grantee has a separation from service without cause for any reason other than the employee’s resignation, 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 fair value of the RSUs granted during fiscal years 2014, 2013 and 2012 to be \$22.08, \$11.23, and \$12.47 per RSU, respectively.

During fiscal years 2014, 2013 and 2012, the Company granted 25, 30 and 49 RSUs, respectively, 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 service 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 RSUs granted during fiscal years 2014, 2013 and 2012 to be \$23.23, \$13.57 and \$9.10 per RSU, respectively.

The Company estimates the fair value of RSUs based on the market price of the Company’s common stock at the award grant date.

A summary of the RSU activity for the fiscal year ended June 29, 2014 is as follows:

	Non-vested	Weighted Average Grant Date Fair Value	Vested	Total	Weighted Average Grant Date Fair Value
Outstanding at June 30, 2013	75	\$ 11.94	112	187	\$ 11.78
Granted	47	\$ 22.68	—	47	\$ 22.68
Vested	(71)	\$ 15.96	71	—	\$ 15.96
Converted	—	\$ —	(31)	(31)	\$ 12.06
Forfeited	(2)	\$ 22.08	—	(2)	\$ 22.08
Outstanding at June 29, 2014	<u>49</u>	<u>\$ 16.11</u>	<u>152</u>	<u>201</u>	<u>\$ 14.19</u>

At June 29, 2014, the number of RSUs vested and expected to vest was 201, with an aggregate intrinsic value of \$5,522. The aggregate intrinsic value of the 152 vested RSUs at June 29, 2014 was \$4,172.

The remaining unrecognized compensation cost related to the unvested RSUs at June 29, 2014 is \$237, which is expected to be recognized over a weighted average period of 1.9 years.

For the fiscal years ended June 29, 2014 and June 30, 2013, the total intrinsic value of RSUs converted was \$696 and \$114, respectively. The tax benefit realized from the conversion of RSUs was \$275 and \$45 for the fiscal years ended June 29, 2014 and June 30, 2013.

Summary

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Stock options	\$ 1,001	\$ 847	\$ 774
RSUs	938	686	1,280
Total compensation cost	<u>\$ 1,939</u>	<u>\$ 1,533</u>	<u>\$ 2,054</u>

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

The total income tax benefit recognized for stock based compensation was \$513, \$381 and \$642 for fiscal years 2014, 2013 and 2012, respectively.

As of June 29, 2014, total unrecognized compensation costs related to all unvested stock based compensation arrangements was \$943. The weighted average period over which these costs are expected to be recognized is 1.9 years.

As of June 29, 2014, a summary of the number of securities remaining available for future issuance under equity compensation plans is as follows:

Authorized under the 2013 Plan	1,000
Plus: Awards expired, forfeited or otherwise terminated unexercised from the 2008 LTIP	—
Less: Service condition options granted	(5)
Less: RSUs granted to non-employee directors	(25)
Available for issuance under the 2013 Plan	<u>970</u>

17. Defined Contribution Plan

The Company matches employee contributions made to the Unifi, Inc. Retirement Savings Plan (the “DC Plan”), a 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.

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Matching contribution expense	\$ 2,006	\$ 2,015	\$ 2,012

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

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.

Foreign currency forward contracts

The Company 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 29, 2014, the latest maturity date for all outstanding foreign currency forward contracts was during July 2014. 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 included in other operating expense, net resulting from the underlying exposures of the foreign currency denominated assets and liabilities.

Interest rate swap

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 LIBOR-based variable rate borrowings under the Company’s ABL Revolver and ABL Term Loan. It increased to \$85,000 in May 2013 (when certain other interest rate swaps terminated) and decreases \$5,000 per quarter beginning in August 2013 until the balance again reaches \$50,000 in February 2015, where it will remain through the life of the instrument. This interest rate swap allows the Company to fix LIBOR at 1.06% and terminates on May 24, 2017. At June 29, 2014, the notional amount of the interest rate swap was \$65,000.

On November 26, 2012, the Company de-designated the interest rate swap as a cash flow hedge. For the fiscal years ended June 29, 2014 and June 30, 2013, the Company reclassified pre-tax unrealized losses of \$554 and \$322 from accumulated other comprehensive loss to interest expense, respectively. The Company expects to reclassify additional losses of \$327 during the next twelve months. Since the de-designation of this interest rate swap, the Company has recognized a pre-tax unrealized marked to market loss of \$39 and a gain of \$931 within interest expense for the fiscal years ended June 29, 2014 and June 30, 2013, respectively. See “Note 19. Accumulated Other Comprehensive Loss” for further discussion of the reclassifications of unrealized losses from accumulated other comprehensive loss.

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

Contingent consideration

On December 2, 2013, the Company acquired certain assets in a business combination with Dillon and recorded a contingent consideration liability, as described in “Note 4. Acquisitions.” The fair value of the contingent consideration is measured at each reporting period using a discounted cash flow methodology based on inputs not observable in the market (Level 3 classification in the fair value hierarchy). The inputs to the discounted cash flow model include the estimated payments through the term of the agreement based on an agreed-upon definition and schedule, adjusted to risk-neutral estimates using a market price of risk factor which considers relevant metrics of comparable entities, discounted using an observable cost of debt over the term of the estimated payments. Any change in the fair value from either the passage of time or events occurring after the acquisition date is recorded in other operating expense, net. As of June 29, 2014, the inputs and assumptions used to develop the fair value measurement have not changed since the acquisition date.

A reconciliation of the changes in the fair value follows:

Contingent consideration as of December 2, 2013	\$	2,500
Changes in fair value		172
Payments		(109)
Contingent consideration as of June 29, 2014	\$	<u>2,563</u>

Based on the present value of the expected future payments, \$537 is reflected in accrued expenses and \$2,026 is reflected in other long-term 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:

As of June 29, 2014	Notional Amount	USD Equivalent	Balance Sheet Location	Fair Value Hierarchy	Fair Value
Foreign currency contracts	EUR 495	\$ 668	Other current assets	Level 2	\$ 7
Interest rate swap	USD \$ 65,000	\$ 65,000	Other long-term liabilities	Level 2	\$ (363)
Contingent consideration	—	—	Accrued expenses and other long-term liabilities	Level 3	\$ (2,563)

As of June 30, 2013	Notional Amount	USD Equivalent	Balance Sheet Location	Fair Value Hierarchy	Fair Value
Foreign currency contracts	MXN 3,800	\$ 295	Other current assets	Level 2	\$ 3
Interest rate swap	USD \$ 85,000	\$ 85,000	Other long-term liabilities	Level 2	\$ (324)

(EUR represents the Euro; MXN represents the Mexican Peso)

Estimates for the fair value of the Company’s foreign currency forward contracts and interest rate swaps are obtained from month-end market quotes for contracts with similar terms.

The effects of marked to market hedging derivative instruments are as follows:

Derivatives not designated as hedges:	Classification:	For the Fiscal Years Ended		
		June 29, 2014	June 30, 2013	June 24, 2012
Foreign currency contracts – EUR/USD	Other operating expense, net	\$ (10)	\$ —	\$ —
Foreign currency contracts – MXN/USD	Other operating expense, net	(3)	46	(45)
Foreign currency contracts – USD/\$R	Other operating expense, net	—	—	(2)
Interest rate swap	Interest expense	39	(931)	—
Total loss (gain) recognized in income		<u>\$ 26</u>	<u>\$ (885)</u>	<u>\$ (47)</u>

(EUR represents the Euro; MXN represents the Mexican Peso; \$R represents the Brazilian Real)

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

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.

The Company believes that there have been no significant changes to its credit risk profile or the interest rates available to the Company for debt issuances with similar terms and average maturities and the Company estimates that the fair values of its debt obligations approximate the carrying amounts. Other financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair value due to their short-term nature.

There were no transfers into or out of the levels of the fair value hierarchy for the fiscal years ended June 29, 2014 and June 30, 2013.

Non-Financial Assets and Liabilities

The Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring basis.

19. Accumulated Other Comprehensive Loss

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

	Foreign Currency Translation Adjustments	Derivative Financial Instruments		Accumulated Other Comprehensive Income (Loss)
		Unrealized (loss) gain on interest rate swaps	Unrealized (loss) gain on cash flow hedges ⁽¹⁾	
Balance at June 26, 2011	\$ 24,830	\$ (408)	\$ (646)	\$ 23,776
Other comprehensive loss, net of tax	(22,813)	(367)	(568)	(23,748)
Balance at June 24, 2012	2,017	(775)	(1,214)	28
Other comprehensive (loss) income, net of tax	(6,585)	(157)	1,214	(5,528)
Balance at June 30, 2013	\$ (4,568)	\$ (932)	\$ —	\$ (5,500)
Other comprehensive income, net of tax	327	554	—	881
Balance at June 29, 2014	\$ (4,241)	\$ (378)	\$ —	\$ (4,619)

⁽¹⁾Unrealized (loss) gain on cash flow hedges related to an unconsolidated affiliate

A summary of the pre-tax, tax and after-tax effects of the components of other comprehensive income (loss) for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012 is provided as follows:

	Fiscal Year 2014			Fiscal Year 2013			Fiscal Year 2012		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Other comprehensive income (loss):									
Foreign currency translation adjustments	\$ 327	\$ —	\$ 327	\$ (6,585)	\$ —	\$ (6,585)	\$ (22,813)	\$ —	\$ (22,813)
Unrealized (loss) gain on interest rate swaps	—	—	—	(240)	(239)	(479)	(606)	239	(367)
Unrealized gain (loss) on cash flow hedges for an unconsolidated affiliate	—	—	—	1,214	—	1,214	(568)	—	(568)
Reclassification adjustment for interest rate swap included in net income	554	—	554	322	—	322	—	—	—
Other comprehensive income (loss)	\$ 881	\$ —	\$ 881	\$ (5,289)	\$ (239)	\$ (5,528)	\$ (23,987)	\$ 239	\$ (23,748)

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

20. Computation of Earnings Per Share

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
<i>Basic EPS</i>			
Net income attributable to Unifi, Inc.	\$ 28,823	\$ 16,635	\$ 11,491
Weighted average common shares outstanding	18,919	19,909	20,088
Basic EPS	<u>\$ 1.52</u>	<u>\$ 0.84</u>	<u>\$ 0.57</u>
<i>Diluted EPS</i>			
Net income attributable to Unifi, Inc.	\$ 28,823	\$ 16,635	\$ 11,491
Weighted average common shares outstanding	18,919	19,909	20,088
Net potential common share equivalents – stock options and RSUs and RSU’s	702	796	306
Adjusted weighted average common shares outstanding	19,621	20,705	20,394
Diluted EPS	<u>\$ 1.47</u>	<u>\$ 0.80</u>	<u>\$ 0.56</u>
Excluded from the calculation of common share equivalents:			
Anti-dilutive common share equivalents	91	210	184
Excluded from the calculation of diluted shares:			
Unvested options that vest upon achievement of certain market conditions	13	27	567

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.

21. Other Operating Expense, Net

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Operating expenses for Renewables	\$ 2,749	\$ 2,396	\$ 1,633
Restructuring charges, net	1,273	813	71
Foreign currency transaction losses (gains)	504	(132)	270
Net loss on sale or disposal of assets	475	243	369
Other, net	288	89	(272)
Other operating expense, net	<u>\$ 5,289</u>	<u>\$ 3,409</u>	<u>\$ 2,071</u>

Operating expenses for Renewables include amounts incurred for employee costs, land and equipment rental costs, operating supplies, product testing and administrative costs. Operating expenses for Renewables also include \$343, \$230 and \$97 of depreciation and amortization expense for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, respectively.

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Severance	\$ 941	\$ 948	\$ —
Equipment relocation and reinstatement costs	356	—	—
Other	(24)	(135)	71
Restructuring charges, net	<u>\$ 1,273</u>	<u>\$ 813</u>	<u>\$ 71</u>

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

Severance

On May 14, 2013, the Company and one of its executive officers entered into a severance agreement that provides severance and certain other benefits through November 2014. On August 12, 2013, the Company and another of its executive officers entered into a severance agreement that provides severance payments through November 2014 and certain other benefits through the earlier of his new employment, gainful self-employment or December 2014. The table below presents changes to the severance reserves for the fiscal year ended June 29, 2014:

	<u>Balance June 30, 2013</u>	<u>Charged to expense</u>	<u>Charged to other accounts</u>	<u>Payments</u>	<u>Adjustments</u>	<u>Balance June 29, 2014</u>
Accrued severance	\$ 1,186	941	244	(1,997)	—	\$ 374

Equipment Relocation and Reinstallation Costs

During fiscal year 2014, the Company dismantled and relocated certain polyester draw warping equipment from Monroe, North Carolina to a Burlington, North Carolina facility. The Company also dismantled and relocated certain polyester texturing and twisting equipment between locations in North Carolina and El Salvador. The costs incurred for the relocation of equipment were charged to restructuring expense within the Polyester Segment as incurred.

22. Other Non-Operating Expense (Income)

During the fourth quarter of fiscal year 2014, the Company recorded an impairment charge of \$126 relating to an investment, accounted for under the cost method, for which there are no expected future cash inflows.

During fiscal year 2012, the Company's Brazilian subsidiary, Unifi do Brasil ("UDB"), 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.

23. 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 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 industry and apparel market, both foreign and domestic. 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 74% of total revenues and 78% of total gross accounts receivable outstanding. As PAL's fiscal year end is the Saturday nearest to December 31 and its results are considered significant, the Company files an amendment to each Annual Report on Form 10-K on or before 90 days subsequent to PAL's fiscal year end to provide PAL's audited financial statements for PAL's most recent fiscal year. The Company filed an amendment to its Annual Report on Form 10-K for the fiscal year ended June 30, 2013 on March 27, 2014 to provide PAL's audited financial statements for PAL's fiscal year ended December 28, 2013.

During August 2008, a federal government program commenced providing economic adjustment assistance to domestic users of upland cotton (the "EAP program"). The EAP 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 in which it is 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 provided a subsidy of four cents per pound through July 31, 2012 and thereafter provides a subsidy of up to three cents per pound. In February 2014, the federal government extended the EAP program for five years. The cotton subsidy will remain at three cents per pound for the life of the program. PAL recognizes its share of 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.

PAL is subject to price risk related to anticipated fixed-price yarn sales. To protect the gross margin of these sales, PAL may enter into cotton futures to manage changes in raw material prices in order to protect the gross margin of fixed-priced yarn sales. 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. As of June 2014, PAL had no futures contracts designated as cash flow hedges.

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

As of June 29, 2014, the Company's investment in PAL was \$95,918 and reflected 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 29, 2014	\$	114,323
Initial excess capital contributions		53,363
Impairment charge recorded by the Company in 2007		(74,106)
Anti-trust lawsuit against PAL in which the Company did not participate		2,652
EAP adjustments		(314)
Investment as of June 29, 2014	<u>\$</u>	<u>95,918</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 31 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 31 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 29, 2014, the Company's open purchase orders related to this agreement were \$2,373.

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
UNF	\$ 9,582	\$ 11,752	\$ 12,875
UNF America	24,223	22,601	17,956
Total	<u>\$ 33,805</u>	<u>\$ 34,353</u>	<u>\$ 30,831</u>

As of June 29, 2014 and June 30, 2013, the Company had combined accounts payable due to UNF and UNF America of \$3,966 and \$2,890, respectively.

The Company has determined that UNF and UNF America are variable interest entities ("VIEs") and has also determined that the Company is the primary beneficiary of these entities, based on the terms of the supply agreement. As a result, these entities should be consolidated in the Company's financial results. As the Company purchases substantially all of the output from the two entities, the two entities' balance sheets constitute 3% or less of the Company's current assets, total assets and total liabilities, and such balances are not expected to comprise a larger portion in the future, the Company has not included the accounts of UNF and UNF America in its consolidated financial statements. As of June 29, 2014, the Company's combined investments in UNF and UNF America were \$3,311 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.

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 29, 2014		
	PAL	Other	Total
Current assets	\$ 248,651	\$ 9,187	\$ 257,838
Noncurrent assets	143,720	3,065	146,785
Current liabilities	50,696	5,437	56,133
Noncurrent liabilities	5,432	—	5,432
Shareholders' equity and capital accounts	336,243	6,815	343,058
The Company's portion of undistributed earnings	25,269	616	25,885

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

	As of June 30, 2013		
	PAL	Other	Total
Current assets	\$ 266,300	\$ 11,343	\$ 277,643
Noncurrent assets	111,061	3,163	114,224
Current liabilities	44,517	4,910	49,427
Noncurrent liabilities	15,609	—	15,609
Shareholders' equity and capital accounts	317,235	9,596	326,831

	For the Fiscal Year Ended June 29, 2014		
	PAL	Other	Total
Net sales	\$ 841,542	\$ 34,717	\$ 876,259
Gross profit	63,645	3,921	67,566
Income from operations	48,857	2,259	51,116
Net income	52,283	2,529	54,812
Depreciation and amortization	26,222	101	26,323
Cash received by PAL under EAP program	16,909	—	16,909
Earnings recognized by PAL for EAP program	23,509	—	23,509
Distributions received	11,314	1,900	13,214

	For the Fiscal Year Ended June 30, 2013		
	PAL	Other	Total
Net sales	\$ 785,351	\$ 35,190	\$ 820,541
Gross profit	46,918	4,997	51,915
Income from operations	25,809	3,283	29,092
Net income	27,575	3,330	30,905
Depreciation and amortization	29,500	101	29,601
Cash received by PAL under EAP program	17,369	—	17,369
Earnings recognized by PAL for EAP program	8,744	—	8,744
Distributions received	13,440	1,500	14,940

	For the Fiscal Year Ended June 24, 2012		
	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
Distributions received	9,616	1,000	10,616

As of the end of PAL's fiscal June 2014, fiscal June 2013 and fiscal June 2012 periods, PAL's amounts of deferred revenues related to the EAP program were \$0, \$8,791 and \$166, respectively.

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

24. 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 to 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 which was from 2004 to 2008. 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 or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Operating Leases

The Company routinely leases sales and administrative office space, warehousing and distribution centers, manufacturing space, 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. Currently, the Company does not sub-lease any of its leased property.

The following table presents, as of June 29, 2014, future minimum lease payments on a fiscal year basis for non-cancelable operating leases with initial terms in excess of one year:

	2015	2016	2017	2018	2019	Thereafter
Minimum lease payments	\$ 2,118	\$ 1,395	\$ 1,158	\$ 802	\$ 91	\$ —

Rental expenses incurred under operating leases and included in operating income consist of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Rental expenses	\$ 3,621	\$ 3,412	\$ 3,146

Unconditional Obligations

The Company is a party to unconditional obligations for certain utility, equipment purchase and other purchase or service commitments. These commitments are non-cancelable, have remaining terms in excess of one year and qualify as normal purchases.

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

	2015	2016	2017	2018	2019	Thereafter
Unconditional purchase obligations	\$ 12,567	\$ 8,188	\$ 8,199	\$ 5,191	\$ 1,803	\$ —
Unconditional service obligations	2,614	1,344	12	—	—	—
Total unconditional obligations	\$ 15,181	\$ 9,532	\$ 8,211	\$ 5,191	\$ 1,803	\$ —

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

For fiscal years 2014, 2013 and 2012, costs incurred under these commitments consisted of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Costs for unconditional purchase obligations	\$ 31,386	\$ 31,953	\$ 31,272
Costs for unconditional service obligations	5,932	5,679	5,598
Total	\$ 37,318	\$ 37,632	\$ 36,870

25. Related Party Transactions

Related party receivables consist of the following:

	June 29, 2014	June 30, 2013
Dillon Yarn Corporation	\$ 4	\$ 198
Cupron, Inc.	1	6
Total related party receivables (included within receivables, net)	\$ 5	\$ 204

Related party payables consist of the following:

	June 29, 2014	June 30, 2013
Cupron, Inc.	\$ 525	\$ 218
Salem Leasing Corporation	272	267
Dillon Yarn Corporation	131	135
American Drawtech Company, Inc.	—	17
Total related party payables (included within accounts payable)	\$ 928	\$ 637

Related party transactions consist of the matters in the table below and the following paragraphs:

Affiliated Entity	Transaction Type	For the Fiscal Years Ended		
		June 29, 2014	June 30, 2013	June 24, 2012
Dillon Yarn Corporation	Yarn purchases	\$ 3,042	\$ 2,523	\$ 2,333
Dillon Yarn Corporation	Sales service agreement costs	—	349	845
Dillon Yarn Corporation	Sales	1,237	182	134
Dillon Yarn Corporation	Reimbursement of equipment relocation costs	—	75	—
American Drawtech Company, Inc.	Sales	—	884	2,876
American Drawtech Company, Inc.	Yarn purchases	—	56	147
Salem Leasing Corporation	Transportation equipment costs	3,607	3,077	3,096
Cupron, Inc.	Sales	486	236	116
Cupron, Inc.	Raw material purchases	8	—	—

Mr. Mitchel Weinberger, a member of the Board, is president and chief operating officer of Dillon Yarn Corporation (“Dillon”). In fiscal year 2007, the Company purchased the polyester and nylon texturing operations of Dillon and 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. That agreement expired pursuant to its terms on December 31, 2012. In addition, the Company recorded sales to and commission income from Dillon and has purchased products from Dillon.

On April 8, 2013, the Company entered a commissioning agreement with Dillon. Under the terms of the agreement, the Company agreed to move Dillon’s draw winding equipment from Dillon’s facility in Dillon, South Carolina and install it in the Company’s polyester texturing facility in Yadkinville, North Carolina. Pursuant to the exercise of an option granted to the Company under the terms of the commissioning agreement, the Company acquired the draw winding equipment and associated business from Dillon on December 2, 2013, as described in “Note 4. Acquisitions.”

On March 22, 2013, the Company entered into a Stock Purchase Agreement with Dillon. Pursuant to the Stock Purchase Agreement, the Company repurchased 500 shares of the Company’s common stock from Dillon for an aggregate amount of \$8,500. The Company and Dillon negotiated the \$17.00 per share price based on an approximately 10% discount to the closing price of the stock on March 20, 2013. On November 1, 2013, the Company entered into another Stock Purchase Agreement with Dillon, pursuant to which the Company purchased 150 shares of the Company’s common stock from Dillon, at a negotiated price of \$23.00 per share, for \$3,450. The purchase price was equal to an approximately 6% discount to the closing price of the common stock on October 31, 2013. The Board approved these transactions in accordance with its related persons transactions policy. Mr. Weinberger was not involved in any decisions by the Board, or any committee thereof, with respect to these stock repurchase transactions.

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

Mr. Weinberger is an Executive Vice President and a director of American Drawtech Company, Inc. (“ADC”). During fiscal years 2013 and 2012, the Company had sales to and yarn purchases from ADC.

Mr. Kenneth G. Langone, a member of the Board, is a director, stockholder and non-executive 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 operating lease payments, the Company also incurs expenses for routine repair and maintenance, fuel and other expenses. These leases do not contain renewal, purchase options or escalation clauses with respect to the minimum lease charges.

On November 19, 2012, the Company entered into a capital lease with Salem Leasing Corporation for certain transportation equipment. The present value of the fifteen-year lease was \$1,234 and payments are made monthly. The implicit annual interest rate under the lease is approximately 4.6%. The balance of the capital lease obligation as of June 29, 2014 was \$1,144.

Mr. William J. Armfield, IV, a member of the Board, holds an indirect minority equity interest in Cupron, Inc. (“Cupron”) and is also a director. During fiscal years 2014, 2013 and 2012, the Company had sales to Cupron and during fiscal year 2014, the Company purchased raw material from Cupron.

Mr. Langone is also the President and Chief Executive Officer of Invemed Associates LLC (“Invemed”). During fiscal years 2014 and 2013, Invemed provided brokerage services to the Company for the Company’s repurchase of 1,149 and 568 shares of its common stock, respectively, through open market transactions. The Company paid a commission of \$.02 per share to Invemed.

On December 3, 2013, certain of the Company’s executive officers exercised options to purchase shares of the Company’s common stock under previously granted option awards. Pursuant to authorization from the Company’s Board, and as part of the 2013 SRP, the Company repurchased 225 shares of common stock issued in those option exercises at a negotiated price of \$25.59 per share (which was equal to the average of the closing trade prices of the Company’s common stock for the 30 days ending December 2, 2013 and represented a 7.1% discount to the \$27.56 closing price of the common stock on December 2, 2013).

On August 30, 2012, a foreign subsidiary of the Company entered into an unsecured loan agreement with its unconsolidated affiliate, UNF, and borrowed \$1,250. The loan bears interest at 3% with interest payable semi-annually. The loan does not amortize and, during fiscal year 2014, the maturity date was extended from August 30, 2014 to August 30, 2015, at which time the entire principal balance is due.

26. Business Segment Information

The Company has three operating segments, which are also its reportable segments. These segments derive revenues as follows:

- The Polyester Segment manufactures Chip, POY, textured, dyed, twisted, beamed and draw wound yarns, both virgin and recycled, with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive upholstery, home furnishings, industrial and other end-use markets. The Polyester Segment consists of sales and 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 primarily for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the U.S. and Colombia.
- The International Segment’s products primarily include textured polyester and various types of resale yarns and staple fiber. The International Segment sells its yarns to knitters and weavers that produce fabric for the apparel, automotive upholstery, home furnishings, industrial and other end-use markets primarily in the South American and Asian regions. This segment includes a manufacturing location 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 expenses and plus segment other adjustments. Segment operating profit represents segment net sales less cost of sales, restructuring and other 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.

For the Polyester Segment, fiscal year 2013 contained one additional fiscal week. For the Nylon Segment’s operations in the United States, fiscal year 2013 contained one additional fiscal week.

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

Selected financial information for the Polyester, Nylon and International Segments is presented below:

	For the Fiscal Year Ended June 29, 2014			
	Polyester	Nylon	International	Total
Net sales	\$ 389,172	\$ 163,824	\$ 134,906	\$ 687,902
Cost of sales	342,393	143,649	118,598	604,640
Gross profit	46,779	20,175	16,308	83,262
Selling, general and administrative expenses	28,422	9,531	8,250	46,203
Restructuring charges (recoveries)	356	(24)	—	332
Other operating expense, net	82	—	—	82
Segment operating profit	<u>\$ 17,919</u>	<u>\$ 10,668</u>	<u>\$ 8,058</u>	<u>\$ 36,645</u>

	For the Fiscal Year Ended June 30, 2013			
	Polyester	Nylon	International	Total
Net sales	\$ 398,707	\$ 164,085	\$ 151,170	\$ 713,962
Cost of sales	363,545	146,033	131,280	640,858
Gross profit	35,162	18,052	19,890	73,104
Selling, general and administrative expenses	29,114	9,930	8,342	47,386
Restructuring recoveries	—	(135)	—	(135)
Other operating expense, net	—	42	—	42
Segment operating profit	<u>\$ 6,048</u>	<u>\$ 8,215</u>	<u>\$ 11,548</u>	<u>\$ 25,811</u>

	For the Fiscal Year Ended June 24, 2012			
	Polyester	Nylon	International	Total
Net sales	\$ 393,981	\$ 163,103	\$ 148,002	\$ 705,086
Cost of sales	374,308	146,147	130,235	650,690
Gross profit	19,673	16,956	17,767	54,396
Selling, general and administrative expenses	25,668	8,851	8,963	43,482
Restructuring charges	—	71	—	71
Segment operating (loss) profit	<u>\$ (5,995)</u>	<u>\$ 8,034</u>	<u>\$ 8,804</u>	<u>\$ 10,843</u>

The reconciliations of segment operating profit to consolidated income before income taxes are as follows:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 17,919	\$ 6,048	\$ (5,995)
Nylon	10,668	8,215	8,034
International	8,058	11,548	8,804
Segment operating profit	36,645	25,811	10,843
Provision (benefit) for bad debts	287	(154)	211
Other operating expense, net	4,875	3,502	2,000
Operating income	31,483	22,463	8,632
Interest income	(1,790)	(698)	(1,921)
Interest expense	4,329	4,489	16,073
Loss on extinguishment of debt	—	1,102	3,203
Loss on previously held equity interest	—	—	3,656
Other non-operating expense (income)	126	—	(1,488)
Equity in earnings of unconsolidated affiliates	(19,063)	(11,444)	(19,740)
Income before income taxes	<u>\$ 47,881</u>	<u>\$ 29,014</u>	<u>\$ 8,849</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 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 11,702	\$ 17,234	\$ 19,046
Nylon	2,276	3,070	3,089
International	3,151	3,418	4,011
Segment depreciation and amortization expense	17,129	23,722	26,146
Depreciation and amortization included in other operating expense, net	343	230	119
Amortization included in interest expense	424	632	870
Depreciation and amortization expense	<u>\$ 17,896</u>	<u>\$ 24,584</u>	<u>\$ 27,135</u>

Segment other adjustments for each of the reportable segments consist of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 637	\$ 618	\$ (138)
Nylon	(119)	245	33
International	352	115	382
Segment other adjustments	<u>\$ 870</u>	<u>\$ 978</u>	<u>\$ 277</u>

Segment other adjustments include severance charges, restructuring charges and recoveries and other adjustments necessary to understand and compare the underlying results of the segment.

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 30,696	\$ 23,900	\$ 12,913
Nylon	12,801	11,437	11,227
International	11,561	15,081	13,197
Segment Adjusted Profit	<u>\$ 55,058</u>	<u>\$ 50,418</u>	<u>\$ 37,337</u>

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

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 651	\$ 1,296	\$ 2,179
Nylon	295	773	314
International	1,474	772	1,351
Intersegment sales	<u>\$ 2,420</u>	<u>\$ 2,841</u>	<u>\$ 3,844</u>

The reconciliations of segment capital expenditures to consolidated capital expenditures are as follows:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Polyester	\$ 14,701	\$ 5,730	\$ 3,246
Nylon	2,284	482	487
International	1,637	1,336	1,610
Segment capital expenditures	18,622	7,548	5,343
Unallocated corporate capital expenditures	469	1,261	1,011
Capital expenditures	<u>\$ 19,091</u>	<u>\$ 8,809</u>	<u>\$ 6,354</u>

The reconciliations of segment total assets to consolidated total assets are as follows:

	June 29, 2014	June 30, 2013	June 24, 2012
	Polyester	\$ 192,697	\$ 185,190
Nylon	75,397	72,599	74,569
International	81,604	84,151	88,040
Segment total assets	349,698	341,940	360,930
All other current assets	2,549	3,342	9,424
Unallocated corporate PP&E	12,250	11,983	10,404
All other non-current assets	5,341	4,940	5,712
Investments in unconsolidated affiliates	<u>99,229</u>	<u>93,261</u>	<u>95,763</u>

Total assets	\$ 469,067	\$ 455,466	\$ 482,233
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Unifi, Inc.
Notes to Consolidated Financial Statements – (Continued)

Geographic Data:

Geographic information for net sales is as follows:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
U.S.	\$ 512,496	\$ 519,148	\$ 515,522
Brazil	113,448	124,455	125,737
All Other Foreign	61,958	70,359	63,827
Total	<u>\$ 687,902</u>	<u>\$ 713,962</u>	<u>\$ 705,086</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 \$100,546, \$93,128 and \$84,558 for the fiscal years ended June 29, 2014, June 30, 2013 and June 24, 2012, respectively.

Geographic information for long-lived assets is as follows:

	June 29, 2014	June 30, 2013	June 24, 2012
U.S.	\$ 215,910	\$ 200,958	\$ 215,890
Brazil	12,188	16,150	19,121
All Other Foreign	7,413	8,658	7,935
Total	<u>\$ 235,511</u>	<u>\$ 225,766</u>	<u>\$ 242,946</u>

Long-lived assets are comprised of property, plant and equipment, net, intangible assets, net, investments in unconsolidated affiliates and other non-current assets.

Geographic information for total assets is as follows:

	June 29, 2014	June 30, 2013	June 24, 2012
U.S.	\$ 362,510	\$ 346,651	\$ 370,572
Brazil	70,581	72,735	77,788
All Other Foreign	35,976	36,080	33,873
Total	<u>\$ 469,067</u>	<u>\$ 455,466</u>	<u>\$ 482,233</u>

27. Quarterly Results (Unaudited)

Quarterly financial data and selected highlights are as follows:

	For the Fiscal Quarters Ended			
	September 29, 2013	December 29, 2013	March 30, 2014	June 29, 2014
Net sales	\$ 168,669	\$ 160,617	\$ 176,864	\$ 181,752
Gross profit	19,985	18,497	19,759	25,021
Net income including non-controlling interest	8,619	6,211	4,454	8,436
Less: net (loss) attributable to non-controlling interest	(251)	(232)	(289)	(331)
Net income attributable to Unifi, Inc.	<u>\$ 8,870</u>	<u>\$ 6,443</u>	<u>\$ 4,743</u>	<u>\$ 8,767</u>
Net income attributable to Unifi, Inc. per common share:				
Basic (1)	\$ 0.46	\$ 0.34	\$ 0.25	\$ 0.48
Diluted (1)	\$ 0.44	\$ 0.32	\$ 0.24	\$ 0.46

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

	For the Fiscal Quarters Ended			
	September 23, 2012	December 23, 2012	March 24, 2013	June 30, 2013 (2)
Net sales	\$ 172,900	\$ 172,071	\$ 168,249	\$ 200,742
Gross profit	18,020	16,691	12,681	25,712
Net income including non-controlling interest	2,058	2,217	1,164	10,231
Less: net (loss) attributable to non-controlling interest	(236)	(209)	(235)	(285)
Net income attributable to Unifi, Inc.	\$ 2,294	\$ 2,426	\$ 1,399	\$ 10,516
Net income attributable to Unifi, Inc. per common share:				
Basic (1)	\$ 0.11	\$ 0.12	\$ 0.07	\$ 0.54
Diluted (1)	\$ 0.11	\$ 0.12	\$ 0.07	\$ 0.52

- (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.
- (2) The fiscal quarter ended June 30, 2013 contained 14 fiscal weeks whereas the previous quarters of 2013 each contained 13 fiscal weeks.

28. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Fiscal Years Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Interest, net of capitalized interest	\$ 3,313	\$ 4,701	\$ 16,689
Income taxes, net of refunds	12,569	8,100	3,988

Cash payments for taxes shown above consist primarily of income and withholding tax payments made by the Company in both U.S. and foreign jurisdictions.

Non-Cash Investing and Financing Activities

During fiscal year 2014, the Company entered into four capital leases with an aggregate present value of \$3,353.

As of June 29, 2014 and June 30, 2013, \$5,023 and \$1,586, respectively, were included in accounts payable for unpaid capital expenditures.

On December 3, 2013, the Company received and retired 134 shares of its common stock, with a fair value of \$3,583, tendered in lieu of cash for the exercise of 421 employee stock options.

The total fair value of the long-lived assets acquired in the December 2013 purchase of Dillon's draw winding business was \$2,500, and the contingent consideration liability established at the acquisition date was \$2,500.

During fiscal year 2013, the Company entered into a capital lease with a present value of \$1,234 for certain transportation equipment.

FOURTH AMENDMENT TO YARN PURCHASE AGREEMENT

THIS FOURTH AMENDMENT TO YARN PURCHASE AGREEMENT (this "Fourth Amendment") is made and entered into as of the 30th day of May, 2014 by and between **Hanesbrands Inc.**, a Maryland corporation, with a principal place of business located at 1000 East Hanes Mill Road, Winston Salem, NC 27105 ("Buyer" or "HBI"), and **Unifi Manufacturing, Inc.**, a North Carolina corporation, with a principal place of business located at 7201 West Friendly Avenue, Greensboro, NC 27410 ("Supplier" or "UMI").

RECITALS

- A. Buyer and Supplier previously entered into a Yarn Purchase Agreement dated November 6, 2009 (as amended, the "Agreement").
- B. Buyer and Supplier entered into a First Amendment to the Agreement dated July 17, 2012, a Second Amendment to the Agreement dated November 21, 2013, and a Third Amendment to the Agreement dated March 28, 2014.
- B. Buyer and Supplier desire to amend the terms of the Agreement as more particularly set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **Amendments.**

1.1 The Agreement is hereby amended by deleting Section 8.1 thereof in its entirety and replacing it with the following Section 8.1:

"8.1 Term. The term of this Agreement shall commence on the Effective Date hereof and shall expire on June 30, 2014 (the "Initial Term"), unless terminated as provided herein."

2. **Certain Terms.** All capitalized terms not defined herein shall have the same meaning as set forth in the Agreement. Any conflict between terms of this Third Amendment and the Agreement will be resolved in favor of this Third Amendment.

3. **No Other Amendments.** Except as amended hereby, all the terms and provisions of the Agreement shall remain in full force and effect. Any references in the Agreement to the Agreement shall hereinafter be deemed to refer to the Agreement as amended by this Third Amendment.

4. **Counterparts.** This Third Amendment may be executed in any number of counterparts, each of which shall constitute an original, and all such counterparts shall together constitute one instrument.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Third Amendment, in the manner appropriate to each, as of the day and year first above written.

HANESBRANDS INC.

UNIFI MANUFACTURING, INC.

/S/ MIKE FAIRCLOTH
Name: Mike Faircloth
Title: President, Supply Chain

/S/ R. ROGER BERRIER, JR.
Name: R. Roger Berrier, Jr.
Title: President and COO

FIFTH AMENDMENT TO YARN PURCHASE AGREEMENT

THIS FIFTH AMENDMENT TO YARN PURCHASE AGREEMENT (this "Fifth Amendment") is made and entered into as of the 25th day of June, 2014 by and between **Hanesbrands Inc.**, a Maryland corporation, with a principal place of business located at 1000 East Hanes Mill Road, Winston Salem, NC 27105 ("Buyer" or "HBI"), and **Unifi Manufacturing, Inc.**, a North Carolina corporation, with a principal place of business located at 7201 West Friendly Avenue, Greensboro, NC 27410 ("Supplier" or "UMI").

RECITALS

- A. Buyer and Supplier previously entered into a Yarn Purchase Agreement dated November 6, 2009 (as amended, the "Agreement").
- B. Buyer and Supplier entered into a First Amendment to the Agreement dated July 17, 2012, a Second Amendment to the Agreement dated November 21, 2013, a Third Amendment to the Agreement dated March 28, 2014 and a Fourth Amendment dated May 30, 2014.
- B. Buyer and Supplier desire to amend the terms of the Agreement as more particularly set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **Amendments.**

- 1.1 The Agreement is hereby amended by deleting Section 8.1 thereof in its entirety and replacing it with the following Section 8.1:

"8.1 Term. The term of this Agreement shall commence on the Effective Date hereof and shall expire on August 31, 2014 (the "Initial Term"), unless terminated as provided herein."

- 1.2 The Agreement is hereby amended by deleting Appendices A-1 through A-3 and replacing them with revised Appendices A-1 through A-6, attached hereto. This amendment 1.2 to the Agreement is effective as of July 1, 2014.

- 1.3 The Agreement is hereby amended by the deletion of Section 4 of Exhibit A-4 in its entirety and replacing it with the following Section 4:

"4. Spandex- until the expiration of the Term of the Agreement, Supplier shall select the supply source of all spandex items utilized as components or otherwise used or incorporated into Yarn products. The Supplier shall provide [Confidential]* to the Buyer in the following amounts for the following spandex deniers:



*Confidential treatment has been requested for the redacted portions of this agreement pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential, redacted portions have been provided separately to the U.S. Securities and Exchange Commission

- i. 15 denier = [Confidential]*
- ii. 20 denier = [Confidential]*
- iii. 30 denier = [Confidential]* and
- iv. 140 denier = [Confidential]*

Any and all specialty spandex products are excluded from [Confidential]*. This amendment 1.3 to the Agreement is effective as of July 1, 2014.

2 . **Certain Terms.** All capitalized terms not defined herein shall have the same meaning as set forth in the Agreement. Any conflict between terms of this Fifth Amendment and the Agreement will be resolved in favor of this Third Amendment.

3 . **No Other Amendments.** Except as amended hereby, all the terms and provisions of the Agreement shall remain in full force and effect. Any references in the Agreement to the Agreement shall hereinafter be deemed to refer to the Agreement as amended by this Fifth Amendment.

4 . **Counterparts.** This Fifth Amendment may be executed in any number of counterparts, each of which shall constitute an original, and all such counterparts shall together constitute one instrument.

[signature page follows]

*Confidential treatment has been requested for the redacted portions of this agreement pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential, redacted portions have been provided separately to the U.S. Securities and Exchange Commission

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Fifth Amendment, in the manner appropriate to each, as of the day and year first above written.

HANESBRANDS INC.

UNIFI MANUFACTURING, INC.

/s/ MIKE FAIRCLOTH

/s/ BYRON SHARRON

Name: Mike Faircloth

Name: Byron Sharron

Title: President

Title: Vice President of Sales

Chief Global Operations Officer

* Confidential treatment has been requested for the redacted portions of this agreement pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential, redacted portions have been provided separately to the U.S. Securities and Exchange Commission.

Exhibit 10.35

YARN PURCHASE AGREEMENT

by and between Hanesbrands Inc.

and

Unifi Manufacturing, Inc.

YARN PURCHASE AGREEMENT

This Yarn Purchase Agreement (this "Agreement") is made and entered into as of the 1st day of September, 2014 (the "Effective Date"), by and between **Hanesbrands Inc.**, a Maryland Corporation with a principal place of business located at 1000 E. Hanes Mill Rd., Winston-Salem, N.C. ("Buyer" or "HBI"), and **Unifi Manufacturing, Inc.**, North Carolina corporation with a principal place of business located at 7201 West Friendly Avenue, Greensboro, North Carolina 27410 ("Supplier" or "UMI").

ARTICLE I

RECITALS

A. Supplier produces the high quality textured nylon and polyester yarns and various covered yarns referenced within Exhibits A-1, A-2, A-3, A-4, A-5 and A-6 attached hereto and incorporated herein by this reference, as well as various other textile products. Throughout this Agreement the term "Yarns" shall be defined so as to include all such yarns set forth on Exhibits A-1, A-2, A-3, A-3, A-4, A-5 and A-6, (all hereinafter collectively referred to as "Yarns");

B. Buyer and its affiliates, (which may include certain business operations or entities controlled or owned via the shareholdings of Buyer such as its subsidiaries, branches, joint ventures, holding companies and similarly situated operating units), use the Yarns in the manufacture of apparel products and historically have purchased certain of such Yarns from Supplier; and,

C. Buyer and Supplier have negotiated mutually beneficial arrangements for Supplier to manufacture for Buyer, and for Buyer to procure from Supplier, certain of Buyer's requirements of Yarns as set forth hereafter.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE II

PURCHASES

2.1 Purchases. Supplier agrees that, during the Term as defined in Article VIII below, it will provide Yarns to Buyer for its direct manufacturing needs in accordance with the terms and conditions of this Agreement and Buyer's Purchase Orders (as provided for in Section 4.2) for the production of Yarns in accordance with HBI specifications and in the quantities specified herein and as contained in Buyer's Purchase Orders.

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2.2 Buyer's Minimum Commitment. Buyer shall purchase from Supplier [Confidential]* of Yarns that Supplier is capable of supplying pursuant to the terms of this Agreement. Supplier has first right of refusal to supply any new [Confidential]* of Buyer, but Buyer shall be under no obligation to award the new business to Supplier and has the right to award new business based on cost, quality and trade law implications in Buyer's sole discretion. In the event Supplier is approved by Buyer to supply any new yarns and Buyer initiates purchases of such yarns, then any such yarns will be subject to [Confidential]*. Buyer's [Confidential]* shall be communicated to Supplier periodically from Buyer during the Term of this Agreement. Additionally, Supplier agrees to use commercially reasonable efforts to ensure that Buyer receives a consistent supply of Yarns in the volume amounts that Buyer requests and as may be mutually agreed upon with Supplier, in accordance with the terms of this Agreement For the avoidance of doubt, Buyer shall be relieved of the minimum volume commitment set forth in this Section 2.2 on any yarn volume that (a) Supplier does not have the capacity to meet Buyer's requested orders, (b) Supplier otherwise cannot meet Buyer's orders in a timely manner, or (c) Supplier is not qualified by Buyer to supply.

2 . 3 Designated Representatives. In order to facilitate the orderly and informed performance by the parties of their respective obligations hereunder, which include the timely provision of certain notices and other information from time to time, each of Buyer and Supplier has designated certain of its personnel as the person or persons to receive such information or to perform certain actions under this Agreement on its behalf. These personnel are referred to herein as "Designated Representatives" of such parties. A list of each of Buyer's and Supplier's respective Designated Representatives is set forth on Exhibit B attached hereto (each, a "Designated Representative"). Either party may make changes to its list by providing written notice thereof to the other party pursuant to Article 10.4. Moreover, each party may delegate certain routine or other communications duties to subordinates who shall be authorized to communicate on behalf of the party with the other party, until notice of rescission of such authority is given to the other party.

ARTICLE III

PRICES; TERMS OF PAYMENT

3.1 Purchase Price. For Yarns sold and delivered by Supplier hereunder, and subject to the terms and conditions of this Agreement, Buyer will pay to Supplier a purchase price determined in accordance with Exhibits A-1, A-2, A-3, A-4, A-5 and A-6 attached hereto and incorporated herein by this reference (the "Purchase Price").

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(a) In accordance with Exhibits A-1, A-2, A-3, A-4, A-5 and A-6 the Purchase Price for the Yarns shall be [Confidential]* shown on Exhibits A-1, A-2, A-3, A-4, A-5 and A-6 for all Yarns. For covered yarn Yarns that incorporate textured yarn, the Purchase Price shall equal [Confidential]* for such covered yarn Yarns.

(b) Buyer shall pay any and all sales and use taxes levied in connection with the sale and delivery of the Contract Products hereunder, and none of such taxes are included in the Purchase Price. Supplier will produce certain Yarns in El Salvador as well as in the United States. At the present time there are no known customs, duties or similar costs assessed by El Salvador and consequently, no such amounts are included in the Purchase Price of Yarns set forth on Exhibits A-1, A-2, A-3, A-4, A-5 and A-6. In the event that governmental changes impose such costs at either location, then the Purchase Price of all affected Yarns shall be adjusted accordingly. Supplier will maintain warehouse space for finished goods in Puerto Rico to supply Buyer's needs there for the term of this Agreement.

(c) As set forth on Exhibit A-7 hereto, Raw Material Price for the Yarns shall be adjusted from time to time, upon not less than then (10) days written notice by Supplier to the Designated Representative of Buyer, based upon actual changes in the price of the raw materials in accordance with Exhibit A-7; provided, however, that Supplier shall notify Buyer as soon as reasonably possible of any change in a Raw Material Price of which it becomes aware. The Raw Material Price will be determined on a "first in, first out" basis of the raw materials purchased by Supplier for production of Yarns and the timing of the resultant Yarns Price adjustment will be made so that neither party is materially advantaged or disadvantaged.

(d) The [Confidential]* set forth on Exhibit A-1, A-2, A-3, A-4, A-5 and A-6 shall continue in effect until adjusted in accordance with the parameters contained within Exhibit A-7.

3.2 Raw Materials

(a) HBI may, from time to time at HBI's option, direct Supplier to certain vendors in connection with the purchase of any raw materials other than spandex for production of the Yarns. In such event, Supplier will purchase such raw materials for the production of the Yarns from the suppliers specified by HBI. To the extent possible and commercially reasonable, Supplier and Buyer shall arrange for Supplier to purchase such raw materials on terms that provide that the seller of such raw materials will bear all costs and risks involved in delivering those raw materials to Supplier's facility, including, where applicable, any customs, duties, taxes and other

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charges. Buyer shall be entitled to any Buyer-negotiated rebates issued by such supplier with respect to such raw materials, and Supplier agrees to provide such documentations with respect to purchases of such raw materials as Buyer may reasonably request in order to enable Buyer to calculate and apply for (and/or collect) such rebates, including, but not limited to, a monthly report detailing the supplier, product and fiber content information for all purchases hereunder.

(b) From time to time, Supplier may inform Buyer of alternative sources of raw materials that could result in a reduction to the then-current Raw Material Price. Supplier shall provide such information to Buyer about proposed alternative sources as Buyer may request, which may include, such samples of the proposed raw materials available from such source as the parties may agree.

3.3 Payment Terms. Yarns sold to Buyer under this Agreement shall be sold on [Confidential]* Buyer's manufacturing or distribution facility as may be applicable, subject however to the following conditions:

- (a) Buyer shall pay all invoices in a timely manner;
- (b) Buyer maintains a corporate credit rating of B1 (Moody's) and/or S&P B+;
- (c) no default occurs under any material term of Buyer's debt agreements, including, but not limited to, its quarterly financial covenants;
- (d) there are no disclosures in Buyer's SEC filings that Buyer likely will be in violation of any debt covenants;
- (e) Buyer pays all invoices via ACH; and
- (f) [Confidential]*

If Buyer fails to meet any one or more of the foregoing conditions at any time during the continuation of this Agreement, then, a [Confidential]* will commence allowing both parties an opportunity to discuss any of the foregoing conditions. If Supplier is not satisfied following this review period, then, until such condition has been met by Buyer, payment terms shall be [Confidential]*.

ARTICLE IV

SUPPLIER MANAGED INVENTORY ("SMI")

4 . 1 SMI Program. As mutually agreed between Buyer and Supplier regarding specific Yarns, Supplier shall manage its inventory of Yarns available for purchase by Buyer in accordance with the terms and conditions of the Supplier Managed Inventory ("SMI") Agreement, hereafter "SMI" (as may be modified by the Parties from time to time), the agreed upon form of which is attached hereto as designated Exhibit C and incorporated herein by this reference.

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4.2 Purchase Orders. Purchase Orders (which shall be considered as firm commitments) will be placed periodically by Buyer for its Yarns requirements in a form substantially similar to the sample Purchase Order attached hereto as Exhibit E and incorporated herein by this reference. Each purchase order will include all Yarns that shall be purchased by Buyer during the applicable week. All Purchase Orders which meet the terms and conditions of this Agreement shall be accepted by Supplier.

4.3 Resolution of Conflict with This Agreement. In case of a conflict between (a) on the one hand, any of the terms or conditions contained in any Purchase Order, or in any acknowledgment by Supplier of any such Purchase Order, or in any standard term and/or condition of purchase or sale, or any other form used by Supplier or Buyer, and (b) on the other hand, any of the terms or conditions set forth in this Agreement; then in any such instance the terms and conditions of this Agreement shall control. No additional terms or conditions of sale other than those contained in this Agreement shall be effective to the purchase of Yarns unless approved in writing by a Designated Representative of both Supplier and Buyer.

4.4 Termination. The SMI shall terminate at such time as this Agreement terminates, subject to the SMI end of contract provisions and any other obligations of either party that shall survive termination of the SMI or this Agreement.

ARTICLE V

DELIVERY

5.1 Shipping, Title and Risk of Loss. All Yarns manufactured hereunder shall be delivered to Buyer at Buyer's shipping dock, unless other transportation arrangements have been made by Buyer and Supplier. Title and risk of loss to all Yarns sold hereunder shall pass from Supplier to Buyer, free and clear of all claims, liens, charges, security interests, community property interests and encumbrances (collectively, "Liens"), upon such delivery at Buyer's shipping dock.

5.2 Loading and Handling. This provision deleted as shipping is [Confidential]*.

5.3 Modifications. Buyer may request modification or amendment of the shipping instructions at any time, with respect to any Yarns covered thereby but not yet shipped, by written notice to a Designated Representative of Supplier. Supplier shall use commercially reasonable efforts to comply with such request.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES; COMPLIANCE WITH LAWS

6.1 Representations, Warranties and Agreements of Supplier. Supplier represents and warrants to and agrees with Buyer that:

(a) Supplier is a corporation duly organized, validly subsisting or existing and in good standing under the laws of the State of North Carolina. Supplier is duly qualified or licensed to conduct business and is in good standing under the laws of each jurisdiction where such qualification is required. Supplier has the full right, power and authority to enter into and perform its obligations under this Agreement and to conduct its business as now conducted and hereafter contemplated to be conducted and is in compliance with its Articles of Incorporation and Bylaws;

(b) Supplier has all necessary experience, qualifications, expertise, authority, licenses, permits and governmental approvals to enter into this Agreement and to perform its obligations under this Agreement;

(c) This Agreement has been duly executed and delivered by Supplier and constitutes a legal, valid and binding obligation of Supplier, enforceable against Supplier in accordance with its terms;

(d) The execution, delivery and performance of this Agreement and all instruments and documents to be delivered by Supplier are within Supplier's corporate power and have been duly authorized by all necessary or proper action, including the consent of its Board of Directors, if required; do not and will not contravene any provisions of the Supplier's Articles of Incorporation or Bylaws;

(e) Supplier agrees that neither it nor its employees, contractors and/or subcontractors are in a dual or joint employment relationship with Buyer, regardless of the fact that manufacturing services are performed for, and Yarns produced from such services are provided to, Buyer under this Agreement;

(f) Supplier is and, at the time of each delivery of Yarns, will be solvent;

(g) Supplier has and will continue to comply with the Gifts, Favors and Entertainment provision of the Guidelines (as defined in Section 10.5, hereafter) unless otherwise approved by the consent of a Buyer Designated Representative;

(h) Supplier is and shall continue to be in compliance with all known and applicable laws and standards governing Supplier's conduct under this Agreement;

(i) Supplier is not under any obligation of a contractual or other nature to any Person that is inconsistent or in conflict with this Agreement or which would prevent, limit or impair in any way the performance by Supplier of its obligations hereunder;

(j) Supplier will have the right to use for its own purposes, any ideas, methods, techniques, materials and information, including any intellectual property rights therein, provided to or otherwise obtained by Supplier as a result of this

Agreement, without restriction, liability or obligation;

(k) No Person other than Supplier or Supplier's affiliates will manufacture Yarns or otherwise perform any material obligations affecting product performance under this Agreement without the express written consent of Buyer.

6.2 Representations, Warranties and Agreements Regarding the Yarns. Supplier represents and warrants to, and agrees with, Buyer that:

(a) The Yarns shall conform to mutually agreed upon standards (the "Specifications") as incorporated herein and attached hereto as Exhibit F. Supplier shall not modify or alter in any respect the mutually agreed upon Specifications, components or raw materials to be incorporated within the Yarns without the prior authorization of Buyer. If Supplier and Buyer fail to reach mutually agreeable Specifications after meaningful discussion of the Designated Representatives, either party may exercise its termination right pursuant to Article 8.3 below;

(b) Subject only to the express terms of any consent or approval of Buyer's Designated Representative, the Yarns shall be merchantable, of good material and workmanship, of first quality, compliant in all material respects with all applicable Buyer Specifications and free from faults and defects;

(c) All Yarns will be produced by Supplier or its affiliates at facilities owned by (or leased and operated by) Supplier or its affiliates as identified in the attached Exhibit D unless otherwise agreed by Buyer in writing. Further, Supplier shall endeavor, in the best interest of delivering high quality yarn product to Buyer, to minimize, to the greatest extent possible, merge changes within the respective facilities in connection with the production of Yarns;

(d) Supplier shall promptly furnish to Buyer all information and copies of documents (including, but not limited to, complaints, inquiries, test or inspection results and warnings) that Supplier receives from any governmental agency of any jurisdiction, and employee or agent of Supplier other than legal counsel; or any other Person or source that establishes that any of the Yarns may not conform to the requirements of the Specifications or this Article VI;

(e) Supplier and each of its suppliers and logistics providers has and follows, and will continue to have and follow, commercially reasonable quality and security procedures in order that the Yarns will comply with the foregoing warranties, representations and agreements; and,

(f) Supplier is an independent expert with respect to the manufacturing services it performs, and Buyer is relying upon Supplier's skill and judgment to produce Yarns meeting Buyer's specifications. Upon Buyer's request, Supplier shall give Buyer certificates of compliance with applicable laws, standards and orders as may be reasonably requested. The representations and warranties set forth in this Section will survive the Term of this Agreement for a period of three (3)

years. Supplier's warranties apply to any replacement Yarns that Supplier furnishes under this Agreement.

6.3 Notice of and Remedies for Non-Conforming Yarns.

(a) All claims of non-conformity of Yarns to Buyer's specifications shall be handled pursuant to the Supplier's applicable fabric claims and yarn return policies governing such matters heretofore, copies of which are attached hereto and designated as Exhibits 6.3.1, Fabric Claim Policy and, 6.3.2, Yarn Return Policy (hereafter "policies"). Buyer acknowledges that it has a duty to inspect Yarns and packaging. However, all warranties, representations and conditions, statutory or otherwise and whether express or implied, shall survive inspection, acceptance and payment by Buyer, in accordance with such policies. Supplier will provide Buyer with any updated or amended versions of the policies during the Term of this Agreement, provided that Buyer shall have no liability for any failure to comply with any amendment to the policies until Buyer has had a reasonable opportunity to adjust its practices to conform to such amendments and provided further that all such amendments shall be commercially reasonable.

(b) In the event that Buyer contends that the Yarns delivered do not conform to the requirements of this Agreement, Supplier will be entitled to inspect the allegedly non-conforming Yarns. Pursuant to the applicable Yarn Claims Policy, the parties will agree upon an acceptable solution to the matter, which may include a credit and/or a mutually acceptable return remedy for non-conforming Yarns. Buyer will not return Yarns to Supplier except with a return authorization, but any non-conforming Yarns returned pursuant to a return authorization will be returned at Supplier's expense. If the parties fail to reach a mutually agreeable solution, then the matter will be referred for dispute resolution in accordance with Section 10.22, hereafter.

ARTICLE VII

CONFIDENTIALITY

7.1 Confidentiality.

(a) In addition to, and not in lieu of, any confidentiality agreements that the parties have executed during the term of Supplier's relationship with Buyer (each a "Prior Confidentiality Agreement"), during the term of this Agreement, and for a period of three (3) years thereafter, the parties will maintain all Confidential Information and Trade Secrets in strict confidence, and will not, except as otherwise permitted herein or expressly directed in writing by the nondisclosing party, use, copy or disclose (or permit any unauthorized Person access to), any Trade Secrets or Confidential Information, whether learned or disclosed before or after the Effective Date and irrespective of the form of communication. In the event of any inconsistency between this Agreement and any Prior Confidentiality Agreement, the terms of this

Agreement shall control with respect to all Confidential Information and Trade Secrets disclosed after the Effective Date or otherwise under this Agreement. For purposes of this Agreement, “Confidential Information and Trade Secrets” shall mean any confidential and proprietary information or trade secrets of either party that is disclosed pursuant to or to carry out the purposes of this Agreement including but not limited to software, computer disks, technical information, data records, files, memoranda, reports, price lists, customer lists, drawings, plans, sketches, notes, documents and the like; provided that such information and trade secrets shall not be considered Confidential Information and Trade Secrets unless the disclosing party, at the time such information or trade secrets are furnished to the nondisclosing party, designates the same in writing in a conspicuous fashion as “Confidential Information” and/or “Trade Secrets.”

(b) Notwithstanding the provisions of this Article VII, either party may disclose Confidential Information or Trade Secrets to the extent that Confidential Information or Trade Secrets are required to be disclosed pursuant to a requirement of a governmental agency or law, provided that: (i) The nondisclosing party has given the disclosing party prior written notice of such disclosure prior thereto and takes commercially reasonable steps to maintain the confidentiality of the information disclosed (which steps do not include legal proceedings); and (ii) the disclosing party has been afforded a reasonable opportunity to contest the necessity, scope and conditions of such disclosure, unless the nondisclosing party does not have the reasonable ability to afford such to the disclosing party before disclosure is required.

(c) All software, computer disks, technical information, data records, files, memoranda, reports, price lists and customer lists, drawings, plans, sketches, notes, documents and the like (together with all copies and all computer files stored in any medium thereof) relating to the business of either party, but excluding documents, reports and other data developed by Supplier, and all materials provided by Buyer in any form, format or medium (including computer files stored in any medium), which Supplier receives, has access to or comes in contact with in the course of, or as a result of, this Agreement (collectively, the “Materials”) will, as between the parties hereto, remain the sole property of the applicable party. Upon termination of this Agreement and thereafter upon demand of the disclosing party, the nondisclosing party will immediately return all such property of disclosing party and delete or destroy any and all computer files and any other copies of the Materials in any form or format; provided that the nondisclosing party may maintain a single copy of such Materials for legal purposes so long as such copy is not generally available to or accessible by anyone other than the executive officers of the nondisclosing party and/or their counsel.

(d) Each party acknowledges and agrees that, in the event of a breach or threatened breach of any of the foregoing provisions, the parties will have no adequate remedy in damages and, accordingly, will be entitled to injunctive relief against such breach or threatened breach in addition to any other remedies available at law or in equity.

(e) The parties acknowledge that certain documents and other communications involving and/or by the parties herein may be subject to one or more claims of privilege (e.g., the attorney-client privilege, the US Internal Revenue Code §7525 tax advisory privilege, etc.). Each party shall be solely responsible for managing the recognition, establishment and maintenance of these possible protections, and each party shall cooperate with reasonable written instructions regarding same, unless and to the extent such privilege is asserted in any manner adverse to the opposite party.

(f) The parties shall, upon the termination of this Agreement and request thereafter by the disclosing party, return or destroy all written and/or tangible Confidential Information and Trade Secrets (including documents, drawings, records, specifications, copies and/or extracts thereof, and any Confidential Information or Trade Secrets maintained in any computer memory, storage media, electronic or similar form). Any such destruction shall be certified in writing to the nondisclosing party by an authorized officer supervising the same. Notwithstanding the above, either party may maintain a single copy of such Confidential Information or Trade Secrets for legal purposes so long as such copy is maintained and protected to the same degree as the confidential information and trade secrets of such party (but in any case no less than a commercially reasonable level of protection).

(g) Buyer acknowledges that Supplier is a subsidiary of a publicly traded company and as such is bound by certain public disclosure rules and regulations. Supplier has determined that this Agreement is a material contract and Supplier is required to file it with the Securities and Exchange Commission. Supplier shall work cooperatively with Buyer in connection with any public filing requirements associated with this Agreement, provided however Supplier shall retain, in its sole discretion, the determination of the appropriate materials to be filed.

ARTICLE VIII

TERM; TERMINATION

8.1 Term. The term of this Agreement shall commence on the Effective Date hereof and continue for a period of three (3) years and ten (10) months thereafter, expiring on June 30, 2018, unless terminated as provided herein.

8.2 This provision intentionally deleted.

8.3 Termination for Cause.

(a) Notwithstanding anything to the contrary herein and in addition to any other rights of termination set forth in this Agreement, Buyer shall have the immediate right to terminate this Agreement, without any liability of Buyer to Supplier

for such termination, upon the occurrence of any one or more of the following events:

(i) failure by Supplier to comply with Buyer's quality control standards or the Specifications and customary textile industry quality control standards (after written notice from Buyer and reasonable opportunity to cure, not to exceed thirty (30) days from the date of written notice from Buyer);

(ii) Supplier's failure to manufacture or deliver in conformity with all applicable warranties set forth in Article VI hereof the Yarns ordered by Buyer for manufacture or delivery pursuant to the production schedule and Purchase Orders issued in accordance with Article IV hereof (after written notice from Buyer and reasonable opportunity to cure, not to exceed forty five (45) days from the date of written notice from Buyer);

(iii) an election by Buyer to terminate pursuant to a Force Majeure Event (as defined in Section 10.9), if said Force Majeure Event continues for more than one hundred twenty (120) days;

(iv) the repudiation of or threatened repudiation of the pricing terms set forth in this Agreement by Supplier, whether in writing or by practice by any Designated Representative of Supplier (after written notice from Buyer and reasonable opportunity to cure, not to exceed sixty (60) days from the date of written notice from Buyer);

(v) the breach by Supplier of any material term of this Agreement, provided that, if any such breach can reasonably be cured within sixty (60) days, Buyer shall have given written notice of such breach to Supplier pursuant to Section 10.4 of this Agreement, and Supplier shall have failed to cure such breach within sixty (60) days after such notice;

(vi) dishonesty, malfeasance, fraud or misconduct in the performance of Supplier's obligations under this Agreement;

(vii) noncompliance with any terms or provisions of the Guidelines, as defined in Section 10.5 below, during the Term. Buyer will provide Supplier with any updated or amended versions of the Guidelines during the Term. Supplier shall not be deemed to have breached the Guidelines for any failure to comply with any reasonable amendment to the Guidelines until Supplier has had reasonable time (not to exceed ninety (90) days from the date of notice regarding the amended Guidelines) to adjust its practices to conform to such amendments, provided that if Supplier cannot comply with any modifications to the Guidelines or if such modification is unreasonable in Supplier's business judgment, then the matter shall be referred for dispute resolution under the procedure set forth in Section 10.22 hereafter;

* Confidential treatment has been requested for the redacted portions of this agreement pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential, redacted portions have been provided separately to the U.S. Securities and Exchange Commission.

(viii) the insolvency of Supplier or if Supplier avails itself of the laws of any jurisdiction for the protection of debtors, including, without limitation, the appointment of a receiver or the like, a moratorium on payment of debt, a petition, voluntary or involuntary, in bankruptcy or the like filed by or against Supplier that is not dismissed within forty five (45) days of filing, or an assignment of all or any portion of the assets of Supplier for the benefit of its creditors. Further, in the event of Supplier insolvency, Supplier affirmatively agrees to use its commercially reasonable efforts to work cooperatively with its lenders and other creditors as necessary in order to secure on behalf of Buyer a right of first refusal in connection with the sale, liquidation or other disposition of assets; and,

(ix) except as permitted herein, any attempt by Supplier to assign or otherwise transfer to any third party all or any part of Supplier's rights under this Agreement, or to delegate or subcontract all or any part of Supplier's obligations under this Agreement, without the prior written consent of Buyer, other than assignment or other delegation of such portion of this Agreement to a Central American affiliate, as contemplated by the parties.

(b) Notwithstanding any other provision to the contrary in this Agreement, Supplier shall have the right to immediately terminate this Agreement upon the occurrence of any one or more of the following events:

(i) Nonpayment by Buyer of undisputed amounts due to Supplier pursuant to Article III Section 3.1 of this Agreement (after written notice from Supplier and reasonable opportunity to cure, not to exceed [Confidential])* from the date of written notice from Supplier);

(ii) the breach by Buyer of any material term of this Agreement, provided that Supplier shall have given written notice of such breach to Buyer pursuant to Article X Section 10.4 of this Agreement, and Buyer shall have failed to cure such breach within sixty (60) days after such notice; and,

(iii) the insolvency of Buyer or if Buyer avails itself of the laws of any jurisdiction for the protection of debtors, including, without limitation, the appointment of a receiver or the like, a moratorium on payment of debt, a petition, voluntary or involuntary, in bankruptcy or the like filed by or against Supplier that is not dismissed within forty five (45) days of filing, or an assignment of all or any portion of the assets of Buyer for the benefit of its creditors.

8.4 Effect. Except as expressly provided herein, notwithstanding termination of this Agreement, the right of termination provided in Article VIII Section 8.3 is not exclusive of any remedies to which either party may otherwise be entitled at law or in

equity in the event of a breach of this Agreement. Each party shall remain liable to the other party for any indebtedness or other liability or obligation theretofore arising under this Agreement. The terms and conditions of this Agreement shall apply to any Purchase Orders, that is consistent with past practice and compliant with the terms of this Agreement, issued before any such expiration or termination. The terms of this Agreement that would, by their nature, survive termination, including, without limitation, the provisions of Articles VI, VII and IX and the covenants, indemnities, representations and warranties made by the parties therein, shall survive the expiration or termination of this Agreement for any reason whatsoever and shall remain in full force and effect for a period of three (3) years thereafter, except as otherwise expressly provided herein or therein.

ARTICLE IX

INDEMNIFICATION

9.1 **Indemnification by Supplier.** With acknowledgment that terms and conditions of this Section 9.1 have been expressly bargained for and are an essential part of this Agreement and any Purchase Order submitted by Buyer for Yams, and in consideration of any and all purchases hereunder, herein and hereafter made by Buyer from Supplier or from any Affiliates of Supplier, and by accepting a Purchase Order, Supplier agrees that it shall indemnify, hold harmless and defend (or in Buyer's sole discretion, fund the cost of defending) Buyer as well as Buyer's directors, officers, employees, agents and shareholders (collectively called "**Buyer Indemnitees**") from and against any and all compensatory liabilities, damages, losses, claims, lawsuits, proceedings, appeals, assessments, fines, actions, causes of action, decrees, judgments, settlements, court orders, investigations, civil penalties and/or demands of any kind, costs (including attorneys' fees and associated expenses), whether compensatory, exemplary, punitive, special, consequential and/or incidental (collectively, "**Claims**", and each, a "**Claim**"), brought against or incurred by any Buyer Indemnitee because of (i) any death, injury or damage to any Person or property (including Buyer Indemnitees' property and employees) caused by Supplier or (ii) any claim that any of the Yams infringe or misappropriate any patent, trademark, copyright or other intellectual property right, anywhere in the world, except to the extent that the Yams infringe because the infringement or misappropriation is a direct result of the Specifications or instructions provided by Buyer to Supplier. Provided however, excepting fraud, gross negligence or willful misconduct attributable to Supplier, Supplier's duty of indemnity shall be limited to the maximum sum of \$2,000,000.00. Each Buyer Indemnitee shall have the right to participate with Supplier in the defense of any Claim, which participation shall be at the Buyer Indemnitees' expense, except that if Supplier shall have failed, upon the Buyer Indemnitees' request, to assume the defense or to engage counsel reasonably satisfactory to the Buyer Indemnitee, then Supplier shall reimburse the Buyer Indemnitee, on a monthly basis, for all reasonable costs and expenses, including reasonable attorneys' fees, that the Buyer Indemnitee incurs in connection with the defense. Supplier shall not be required to indemnify any Buyer

Indemnitor shall hold any Supplier Indemnitor harmless from Buyer's gross negligence or willful misconduct.

9.2 Indemnification by Buyer. With acknowledgment that terms and conditions of this Section 9.2 have been expressly bargained for and are an essential part of this Agreement and any performance thereunder, any acceptance or provision of goods under any Purchase Order submitted by Buyer for Yarns, and in consideration of any and all sales hereunder, herein and hereafter made to Buyer by Supplier or any Affiliates of Supplier, and by accepting any and all such goods, Buyer shall indemnify, hold harmless and defend (or in Supplier's sole discretion, fund the cost of defending) Supplier as well as Supplier's directors, officers, employees, agents and shareholders (collectively, with Supplier, called "Supplier Indemnitors") from and against any Claims brought against or incurred by any Supplier Indemnitor because of (i) any death, injury or damage to any Person or property (including Supplier Indemnitors' property and employees) caused by Buyer; or (ii) any claim that any of the Yarns infringe or misappropriate any patent, trademark, copyright or other intellectual property right, anywhere in the world because the infringement or misappropriation is a direct result of the Specifications or instructions provided by Buyer to Supplier. Provided however, excepting fraud, gross negligence or willful misconduct attributable to Buyer, Buyer's duty of indemnity shall be limited to the maximum sum of \$2,000,000.00. Each Supplier Indemnitor shall have the right to participate with Buyer in the defense of any Claim, which participation shall be at Supplier Indemnitors' expense, except that if Buyer shall have failed, upon the Supplier Indemnitors' request, to assume the defense or to engage counsel reasonably satisfactory to Supplier Indemnitor, then Buyer shall reimburse Supplier Indemnitor, on a monthly basis, for all reasonable costs and expenses, including reasonable attorneys' fees, that the Supplier Indemnitor incurs in connection with the defense. Buyer shall not be required to indemnify any Supplier Indemnitor against or hold any Supplier Indemnitor harmless from Supplier's gross negligence or willful misconduct.

ARTICLE X

GENERAL

10.1 Merger Clause. This Agreement, together with any other agreement, document or instrument executed and delivered in connection with this Agreement that makes specific reference to this Agreement, contains the final, complete and exclusive statement of the agreement between the parties with respect to the transactions contemplated herein, and all prior or contemporaneous written or oral agreements with respect to the subject matter hereof are merged herein.

10.2 Amendments and Modifications. No change, amendment, qualification or cancellation hereof shall be effective unless in writing that expressly references this Agreement and such purpose and is executed by both parties to the same instrument.

10.3 Benefits and Binding Effect: Permitted Assigns. Buyer may assign any of

its rights or delegate any of its obligations under this Agreement, whether by operation of law or otherwise, without the prior consent of Supplier, provided Buyer shall remain liable for all Buyer obligations under this Agreement. Supplier shall not assign any of its rights, nor delegate any of its duties, under this Agreement to a competitor of Buyer without the prior written consent of Buyer, which consent may be granted or withheld in Buyer's sole and absolute discretion. Provided however, nothing in this Agreement shall prevent Supplier from assigning or factoring any invoices issued hereunder to factors or from pledging any receivables hereunder to lenders of Supplier. Any attempted prohibited transfer, assignment or sublicense of this Agreement by Supplier without Buyer's prior written consent shall be a breach of this Agreement and shall entitle the Buyer to terminate this Agreement under Section 8.3(a) or (b), as applicable. This Agreement will be binding upon and will inure to the benefit of Supplier, Buyer and their respective successors and permitted assigns. Furthermore, in the event that Supplier is involved in a Change of Control (as defined below), such an event shall be considered an assignment of this Agreement subject to the written consent of Buyer. "Change of Control" means a stock sale, reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which Persons who were the shareholders of Supplier immediately prior to such stock sale, reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the sold, reorganized, merged or consolidated company's then outstanding voting securities, in substantially the same proportions as their ownership immediately prior to such stock sale, reorganization, merger, consolidation or other transaction.

10.4 Notices. All notices and demands hereunder, but excluding communications in the ordinary course of business between the parties' Designated Representatives, must be in writing and shall be deemed to have been duly given (a) when personally delivered, (b) two (2) Business Days after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) when sent via facsimile transmission with telephone confirmation, if sent during the hours of 9:00 A.M. and 5:00 P.M. Eastern Time on a Business Day or, if sent at any other time, at 9:00 A.M. on the next Business Day thereafter, (d) when sent via electronic mail with telephone confirmation, if sent during the hours of 9:00 A.M. and 5:00 P.M. on a Business Day or, if sent at any other time, at 9:00 A.M. on the next Business Day thereafter, or (e) on the date of delivery shown on the return receipt when placed in the United States Mail and forwarded by Registered or Certified Mail, return receipt requested, postage prepaid, addressed to the party to whom such notice is being given at the following addresses:

If to Buyer:

Hanesbrands Inc.
1000 East Hanes Mill Road
Winston-Salem, North Carolina 27105
Attn: Gerald Evans
Telephone: (336) 519-4780

Telecopy: (336) 519-0769
Electronic Mail: gerald.evans@hanes.com

With a convenience copy (which shall not constitute or invalidate notice to Buyer) to:

Hanesbrands Inc. – Legal Department
1000 East Hanes Mill Road
Winston-Salem, North Carolina 27105
Attn: Joia M. Johnson
Telecopy: (336) 519-6447
Electronic Mail: joia.jonhson@hanes.com

If to Supplier:

Unifi Manufacturing, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attn: Roger Berrier
Telephone: 336-316-5672
Telecopy: 336-316-5527
Electronic Mail: rberrier@unifi.com

With a convenience copy (which shall not constitute or invalidate notice to Supplier) to:

Unifi Manufacturing, Inc.–Legal Department
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attn: Ben Sirmons, Assistant General Counsel
Telecopy: (336) 856-4364
Electronic Mail: bsirmons@unifi.com

Notwithstanding the foregoing, in any case where this Agreement requires notice to a Designated Representative of Buyer or Supplier, such notice shall be sufficient when and only if given to such Designated Representative at the address set forth above. Any party may change the address(es) to which notices to it are to be sent by giving notice of such change to the other parties in accordance with this Section.

10.5 Hanesbrands Global Standards For Suppliers. Buyer shall provide Supplier with a copy of Hanesbrands Global Standards for Suppliers (the “Guidelines”) for its use as well as review and use by its vendors or manufacturers. Buyer shall also provide Supplier with a sufficient number of copies of the Guidelines in the local language(s) of all applicable management and employees producing the Yams. Supplier hereby represents warrants and covenants that it (a) has reviewed and understands the Guidelines provided to Supplier by Buyer and designated “Copyright 2006, and (b) Supplier is presently in compliance and will remain in compliance with all terms and provisions of the Guidelines during the Term of this Agreement. Buyer will

provide Supplier with any updated or amended versions of the Guidelines during the Term of this Agreement, provided that Supplier shall have no liability for any failure to comply with any amendment to the Guidelines until Supplier has had a reasonable opportunity to adjust its practices to conform to such amendments, provided that if Supplier cannot comply with any modifications to the Guidelines or if such modification is unreasonable in Supplier's business judgment, then the matter shall be referred for dispute resolution under the procedure set forth in Section 10.22 hereafter;.

10.6 Labor Obligations of Supplier to Supplier's Personnel. Both parties acknowledge and agree that the labor responsibility of the employees, agents and subcontractors of each party belong to such party, who shall absorb all the liability, rights and obligations, being labor, civil and criminal that are an outcome of the operation of the party, if any. The parties agree that if any of one party's personnel is physically injured, that party will have the exclusive responsibility of covering the expenses of its personnel unless such injury is caused by the other party or is subject to indemnification under Article IX. Abiding by the general policies of Buyer, Supplier commits not to hire any person of less than 18 years of age, to carry out any services of this Agreement.

10.7 Waiver. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or remedy by any such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No express waiver or assent by any party hereto to any breach of or default in any term or condition of this Agreement shall constitute a waiver of or an assent to any succeeding breach of or default in the same or any other term or condition hereof.

10.8 Relationship of Parties.

(a) Supplier is and shall remain an independent contractor, and this Agreement is neither intended, nor shall it be construed, to establish the relationship of employer and employee between Supplier and Buyer. Neither party assumes any obligation or responsibility of any kind or nature whatsoever toward the other, and neither party has any expectation of, or understanding with, the other party except as expressly set forth herein. Neither party shall have the authority to bind the other in any manner whatsoever without the express prior written approval of such party. Neither party shall have any other rights, power, and/or duties except as provided herein. Any action by a party made without such prior approval is at the sole risk and liability of such party and it shall, in such cases, be individually responsible for the payment of any and all sums attributed or charged to the other party on account of any action by a party not earlier authorized in writing by the other party. Each party shall be responsible for (i) complying with all worker's compensation, employer's liability, and other federal, state, county and municipal laws, ordinances, rules and regulations required of an employer performing the obligations as herein contemplated, and (ii) shall make all reports and remit all

withholdings or other deductions from the compensation paid to its personnel, if any, as may be required by any federal, state, county and municipal laws, ordinances, rules and regulations.

(b) Neither party shall, without first obtaining the written consent of the other party, in any manner advertise, publicize, publish or otherwise draw attention to the fact that Supplier has furnished or contracted to furnish the Buyer services, or disclose any of the details connected with this Agreement to any third party, except as required for procurement of products and services for use in the performance of this Agreement, and then only after the substance of this prohibition is inserted in its orders and made binding upon any third party. The terms of this Section 10.8 shall survive the termination or expiration of this Agreement for a period of three (3) years. Notwithstanding the above, either party: (i) may disclose this Agreement and the terms hereof to its accountants and attorneys; (ii) may make any disclosure that it in good faith believes is required by law, regulation, court order or subpoena, provided that prior to making such disclosure, such party will provide the other party notice of the required disclosure so that such party can, at its sole expense, seek a protective order to protect the confidentiality of this Agreement or a ruling or determination that such disclosure is not required; and (iv) may disclose this Agreement and terms hereof to any parent or subsidiary of the party, to any lender or potential lender of the party or its parents or subsidiaries, or to any potential purchaser of the stock or assets of such party or any parent of the party; provided that in the case of disclosure under this clause (iii), the party to whom disclosure is made is advised of the restrictions on disclosure contained in this Section and agrees to abide by such restrictions.

10.9 Force Majeure Event. Neither Supplier nor Buyer shall be liable to the other for failure or delay in performing its obligations hereunder to the extent that such failure or delay is due to war, fire, flood, earthquake, strike, shortages of raw materials, riot, condemnation act of a court of competent jurisdiction, trade restraint act by governmental authority, act of God, act of terrorism, or other contingencies (a) that are beyond the reasonable control and not arising out of the fault of the affected party, and (b) with respect to which the affected party has been unable to overcome the impact thereof by the exercise of due diligence and reasonable efforts, skill and care, including through expenditure of reasonable sums of money (each, a "Force Majeure Event"). The cause of any such failure or delay shall be remedied by the affected party to the extent reasonably possible without undue delay, and performance shall be resumed at the earliest practical time after cessation of such failure or delay; provided, however, that neither Supplier nor Buyer shall be required to settle a labor dispute against its own best judgment. Immediately upon notice of a Force Majeure Event affecting Supplier, Buyer shall have the right to procure Yam from alternative suppliers until such Force Majeure Event has abated and Supplier gives notice to Buyer that it is again able to supply Yam to Buyer in accordance with the terms of this Agreement.

10.10 This provision intentionally deleted.

10.11 Further Documents and Actions. The parties hereby agree to take such further actions, and to execute and deliver each to the other such further documents, as may be necessary or convenient from time to time to more effectively carry out the intent and purposes of this Agreement and to establish and protect the rights and remedies created or intended to be created hereunder.

10.12 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

10.13 This provision intentionally deleted.

10.14 Captions. The captions are for convenience of reference only and shall not be construed as a part of this Agreement.

10.15 Governing Law. This Agreement, including its validity, interpretation and performance, shall be governed by the laws of the State of North Carolina without respect to the conflict of law principles thereof, and the parties acknowledge and consent to the exclusive personal jurisdiction of federal and state courts sitting in the State of North Carolina for the adjudication of any dispute arising hereunder. Service regarding any dispute arising out of this Agreement may be by certified mail return receipt requested or by personal service or in such other manner as may be permissible under the rules of the applicable court, provided a reasonable time for appearance is allowed.

10.16 Exhibits. All the Exhibits to this Agreement are incorporated herein by reference and shall be deemed to be a part of this Agreement for all purposes.

10.17 Severability. The invalidity or unenforceability of any one or more phrases, clauses, sentences, or provisions of this Agreement shall not affect the validity or enforceability of the remaining portions of this Agreement or any part thereof, unless the effect thereof would constitute a failure of consideration for a substantial benefit for which the party adversely affected thereby has bargained herein.

10.18 Insurance. Supplier will maintain the insurance coverages and comply with all requirements set forth in Exhibit 10.18, attached hereto and incorporated herein by reference. Such policies shall name "Hanesbrands Inc. and any and all subsidiaries" as additional insureds with respect to commercial general liability insurance and automobile liability insurance. A waiver of subrogation shall be provided to Buyer and any of its subsidiaries, with respect to any commercial general liability and automobile liability coverages. Supplier will submit proof of the insurance set forth in Exhibit 10.18 to Buyer upon request.

10.19 Publicity. Unless otherwise required by law, neither party shall, without first obtaining the written consent of the other party, in any manner advertise, publicize, publish or otherwise draw attention to the fact that the parties have entered into this Agreement, the terms of the Agreement or that pursuant to this Agreement Supplier shall furnish to Buyer the Yarns. Additionally, neither party shall discuss the other party's business with any news reporter (newspaper, magazine, internet, television or radio) either on or off the record, or in speaking at any public occasion or before any audience disclose or refer to the parties' relationship.

10.20 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original but all of which shall constitute one and the same instrument.

10.21 Time is of the Essence. The parties agree that time is of the essence in the performance of this Agreement. Supplier represents that it has sufficient resources so that the work can be performed within commercially reasonable the time frames (which may vary, depending upon the nature of the matter) or as otherwise agreed by the parties.

10.22 Dispute Resolution. The parties agree to attempt to resolve all disputes by consultation between the Designated Representatives. If any dispute is not resolved in this manner within thirty (30) days of notice thereof by one Representative to the other, then either party may request the matter be resolved by binding arbitration in the City of Winston Salem, North Carolina under the Rules of the General Arbitration Counsel of the Textile and Apparel Industries. Judgment upon the award rendered may be entered by any Court having jurisdiction thereof.

10.23 Buyer's Standard Terms Of Purchase. The Buyer's Standard Terms Of Purchase shall not apply to this Agreement, the purchase and/or sale of Yarns or any other transactions arising out of or as a consequence of this Agreement.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives, as of the day and year first written above.

Hanesbrands Inc.

/s/ GERALD EVANS
By: Gerald Evans
Title: Chief Operating Officer

Unifi Manufacturing, Inc.

/s/ R. ROGER BERRIER
By: Roger Berrier
Title: President and
Chief Operating Officer

* Confidential treatment has been requested for the redacted portions of this agreement pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. The confidential, redacted portions have been provided separately to the U.S. Securities and Exchange Commission.

EXHIBIT A-7

Price Adjustment Methodology

1. Current prices are set forth on Exhibit A-1, A-2, A-3, A-4, A-5 and A-6. Adjustments to pricing shall occur as follows: In [Confidential]* as shown on Exhibits A-1, A-2, A-3, A-4, A-5, A-6 ; [Confidential]* – Supplier's [Confidential]* shall be [Confidential]* Buyer with [Confidential]*. [Confidential]*. The [Confidential]* for each item listed on Exhibits A-1, A-2, A-3, A-4, A-5, A-6 shall be [Confidential]* that Supplier's [Confidential]* to every product listed in Exhibits A-1, A-2, A-3, A-4, A-5, A-6. [Confidential]* – [Confidential]*. Buyer may request a third party to review and validate Supplier's actual increases in [Confidential]* for [Confidential]*.

If prices change, Buyer must notify Supplier as soon as possible. Supplier will then recalculate pricing on Exhibits A-1 through A-6, according to the Price Adjustment Methodology provided in Exhibit A-8.

Buyer is entitled to [Confidential]* it may [Confidential]* for itself [Confidential]*. Supplier shall provide monthly reports for such calculations.

If raw material designations change from those specified on Exhibit A-1, A-2, A-3, A-4, A-5 and/or A-6 and raw material prices change, Supplier will pass through those changes to Buyer.

2. Textured Poly Yarns or Yarns containing polyester

- a. Price Adjustment Data for textured polyester products and other items containing polyester -

The [Confidential]* will be used in determining polymer cost, using the following formula: 86.5% PTA (purified terephthalic acid) and 35% MEG (mono ethylene glycol), the base ingredients of polyester polymer.

- The MEG price shall be the lowest [Confidential]* contract price for the given month.
- The PTA Price shall be the [Confidential]* price for such month.

- b. Exhibit A-8 shall be used to calculate the polyester price adjustments.
 - c. Initial contract prices will be [Confidential]* and at that time, the [Confidential]* methodology described in Exhibit A-8 will be put into effect comparing the [Confidential]* with [Confidential]*
-

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polymer price. The [Confidential]* methodology will be followed for [Confidential]* and throughout the [Confidential]*.

3. **Textured Nylon Yarns or Yarns containing Nylon**– Pass through providing support from Supplier upon request.
 - a. All price adjustments will be passed through [Confidential]*. An updated price list will be supplied by Supplier to Buyer when the prices are updated.
 - b. For items using [Confidential]*, any adjustments will be passed through to Buyer.
 - c. For items not containing [Confidential]*, Supplier will be the benchmark on nylon fiber market price and will provide pass through based upon market price. Buyer may accept Supplier's price, provide an alternate sourcing strategy or provide data for Supplier to negotiate pricing.

 4. **Flat Nylon** – Pass through providing support from Supplier's and a third party upon request.
 - a. All price adjustments will be passed through [Confidential]*. An updated price list will be supplied by Supplier to Buyer when the prices are updated.
 - b. For items with flat yarns, Supplier will pass through any price adjustments to Buyer. Supplier will provide documentation in the form of third party verification, upon request, supporting the amount of the adjustment.

 5. **Spandex** – Pass through providing support from Supplier's and a third party upon request.
 - a. All price adjustments will be passed through [Confidential]*. An updated price list will be supplied by Seller to Buyer when the prices are updated.
 - b. For item with spandex, Supplier will pass through any price adjustments to Buyer. Supplier will provide documentation in the form of third party verification, upon request, supporting the amount of the adjustment.
 - c. Initial contract prices for [Confidential]* will be held until [Confidential]*. Beginning [Confidential]* prices will adjust to [Confidential]* and the pass through methodology will be followed throughout the remainder of the Agreement.
 - d. The Supplier will retain the rights to select the supply source of all spandex items for the length of the contract. The Supplier will provide [Confidential]* to the buyer in the following amounts for the specified spandex deniers below. The exclusion from [Confidential]* will be any specialty spandex products.
-

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i. 15 denier = [Confidential]*

ii. 20 denier = [Confidential]*

iii. 30 denier = [Confidential]*

iv. 140 denier = [Confidential]*

6. Freight

- a. Freight price will be added to quoted prices on Appendix A-1 through A-6 based upon current freight quotes.
 - b. El Salvador – Socks – Every quarter, Unifi will provide an average monthly [Confidential]* freight cost from the previous 3 months based on (i) actual invoices of freight from Supplier's United States distribution facilities to Supplier's El Salvador warehouse facility plus (ii) a freight fee of [Confidential]* from Unifi's El Salvador warehouse facility to Buyer's manufacturing facility. This average cost will become the new [Confidential]* freight cost for the next quarter.
 - c. Mt. Airy – [Confidential]*
 - d. Woolwine – [Confidential]*
 - e. Clarksville – [Confidential]*
 - f. Puerto Rico – Every quarter, Supplier will provide an average monthly [Confidential]* freight cost from the previous three (3) months based upon:
 - (i) actual invoices of freight from Supplier's United States distribution facilities to the Supplier's Puerto Rico warehouse facility; plus
 - (ii) actual invoices from Supplier's Puerto Rico warehouse facility including warehousing costs and freight costs to Buyer's manufacturing facilities; plus
 - (iii) [Confidential]*

This average [Confidential]* from the [Confidential]* will be divided by the pounds of products shipped out of the Supplier's Puerto Rican warehouse to the Buyer's manufacturing facilities on a monthly basis. This average cost will become the new [Confidential]* cost, which shall be added to the freight cost and warehousing cost for the next quarter.
 - g. Winston Salem - [Confidential]*
 - h. Bonaventure (La Libertad) – will be charged the same freight rate that (6b) El Salvador Socks is charged [Confidential]*.
 - i. Honduras – Shipments to the country of Honduras will be charged the same freight rate that (6b) El Salvador Socks is charged [Confidential]*.
 - j. All freight is based upon full truckloads.
 - k. Samples - will add freight price to product price.
-

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- l. LTL shipments – price will be adjusted based upon supplied quote.
 - m. Air freight – new orders to meet Buyer’s deadlines or increase in demand will be the responsibility of the Buyer.
 - n. With respect to 6(b) and 6(f) above, freight prices will adjust based upon supplied quotes. Passed through either way, if adjusted price = [Confidential]*.
-

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EXHIBIT A-8

Textured Polyester or yarns containing polyester

1. POLYESTER PRICING

- 1.1 The price list shown in pricing Appendix A-4, A-5 attached shows initial prices charged to Buyer. As prices are adjusted the list in Appendix A-4 and A-5 will be updated by the Supplier. The [Confidential]* agreement shown in Exhibit A below will determine price adjustments as required.
- 1.2 Prices shall be treated as confidential by Buyer and Supplier.

POLYESTER ITEMS ONLY

1. List Price – Supplier will provide a list of current prices paid by Buyer to Supplier.
2. [Confidential]* between Buyer and Supplier will be reviewed at the end of [Confidential]*. An updated price list will be supplied by Supplier to Buyer [Confidential]* when the prices are updated.
3. [Confidential]*
 - a. [Confidential]* is the polymer price established as of [Confidential]*.
 - b. [Confidential]* is as follows and [Confidential]*
 - i. $[\text{PTA monthly average} \times 0.865] + [\text{MEG monthly average} \times 0.35] = [\text{Confidential}]^* = [\text{Confidential}]^*$
 - ii. example [Confidential]* average [Confidential]*

[Confidential]*

- c. Current [Confidential]* ([Confidential]* average) [Confidential]* price calculated from b. above (in [Confidential]* only) is compared to the [Confidential]* average to determine if all items prices are adjusted up or down.
-

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- i. example [Confidential]* adjustment (from b. above)
[Confidential]* minus [Confidential]*
All prices will be increased [Confidential]*.
 - d. Price updates are effective on the first [Confidential]* following [Confidential]* end [Confidential]*.
 - i. Example [Confidential]* price adjustment (from b. and c. above)
All prices increased [Confidential]*, effective [Confidential]*.
 - e. Raw materials increases caused by extreme circumstances such as hurricanes, market crashes, earthquakes, etc., will incur immediate adjustments outside of the [Confidential]* agreement.
 - f. Total Price = [Confidential]* + [Confidential]*.
-

EXHIBIT B

Designated Representatives

Hanesbrands, Inc.

Gerald Evans
Chief Operating Officer
1000 East Hanes Mill Road
Winston-Salem, North Carolina 27105
Telephone: (336) 519-4780
Telecopy: (336) 519-0769
Electronic Mail: gerald.evans@hanes.com

Unifi Manufacturing, Inc.

Roger Berrier
President and Chief Operating Officer
7201 West Friendly Avenue
Greensboro, NC 27410
Telephone: (336) 316-5672
Telecopy: (336) 316-5527
Electronic Mail: rberrier@unifi.com

EXHIBIT C

SUPPLIER MANAGED INVENTORY (“SMI”) AGREEMENT

Supplier Managed Inventory Agreement

This **Supplier Managed Inventory Agreement** (this “*Agreement*”) is made and entered into as of the 1st day of September, 2014 (the “*Effective Date*”), by and between **Hanesbrands Inc.**, a Maryland corporation with a principal place of business located at 1000 E. Hanes Mill Rd., Winston-Salem, N.C. (“*HBI*” or “*Buyer*”), and **Unifi Manufacturing, Inc.**, a North Carolina corporation with a principal place of business located at 7201 West Friendly Avenue, Greensboro, North Carolina 27410 (“*Supplier*” or “*UMI*”).

RECITALS

A. HBI and Supplier have negotiated mutually beneficial arrangements for Supplier to manufacture for HBI, and for HBI to procure from Supplier, certain of HBI’s requirements for the yarns used by HBI and certain of its affiliates (which may include certain business operations or entities controlled or owned via the shareholdings of Buyer such as its subsidiaries, branches, joint ventures, holding companies and similarly situated operating units), in such quantities as set out in that certain Yarn Purchase Agreement, dated as of September 1, 2014 (the “*Supply Agreement*”).

B. HBI and certain of its affiliates, (which may include certain business operations or entities controlled or owned via the shareholdings of Buyer such as its subsidiaries, branches, joint ventures, holding companies and similarly situated operating units), use the Yarns in the manufacture of apparel products and historically have purchased certain of such Yarns from Supplier.

C. The Supplier Managed Inventory (“*SMI*”) program is an initiative that HBI is implementing that will allow UMI as an HBI supplier to partner with HBI such that UMI will manage some components of HBI’s raw material supply chain inventory.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1 . Supplier hereby acknowledges and will use commercially reasonable efforts to comply with the following as the primary objectives of the SMI program: (a) The provision by Supplier of one hundred percent (100%) service levels to HBI and its businesses in connection with the manufacture and delivery of the yarns or products subject to the Supply Agreement (the “*Products*”); (b) The provision of the Products to any designated HBI manufacturing facility (each, a “*Facility*”) by Supplier only as required to meet production demands, resulting in minimal on-site storage by HBI; and (c) the optimization of Supplier planning and production functions to meet Facility consumption rates and maximize its production runs.

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2. The SMI program will include only the Products that are agreed upon between the parties to be Replenishment Items. "**Replenishment Items**" are those Products that are used on a routine basis throughout HBI's normal course of fabric and garment production. Supplier will keep Replenishment Items on hand within Supplier's SMI Inventory or Warehouse location (the "SMI Warehouse(s)"), for a maximum of [Confidential]* from the date Supplier completes the packaging of such inventory (the "Pack date"), in order to facilitate deliveries to the designated Facilities as agreed upon by Supplier and Buyer and in compliance with the freight terms of the Supply Agreement. The [Confidential]* maximum is hereafter referred to as the "maximum inventory Pack date".

3. The SMI program may also, but will not ordinarily, include Commitment Items. "**Commitment Items**" are Products used by HBI outside of the normal course of operation, typically: (a) in small volumes for short periods of times; (b) for one-time promotional programs; or (c) on an infrequent basis. Items used on a seasonal basis may also be deemed Commitment Items, as determined by HBI in its sole discretion, and thereby excluded from the Supplier SMI program requirements. In the event that HBI and Supplier determine to include any one or more Commitment Items in the Supplier SMI program, HBI and Supplier will agree upon the volume of Commitment Items to be provided by Supplier. Notwithstanding the foregoing, Supplier will keep Commitment Items on-hand for a maximum of [Confidential]* from the Pack date, and will deliver such Commitment Items to the designated Facility, as requested by HBI pursuant to the same process observed with respect to Replenishment Items.

4. Supplier and Buyer will designate specific and agreed upon raw material items as "Raw Material Commitment Items". Raw Material Commitment Items are Products used by HBI outside of the normal course of operation, typically; (a) in small volumes for short periods of times; (b) for one-time promotional programs; (c) on an infrequent basis; or (d) imported products that require long in transit or lead times. Items used on a seasonal basis may also be deemed Raw Material Commitment Items, as determined by HBI in its sole discretion, and thereby excluded from the Supplier SMI program requirements. Supplier will keep Raw Material Commitment Items on hand for a maximum of [Confidential]* from the Pack Date, except for items agreed upon by the parties. At the [Confidential]* mark, Supplier will begin processing the raw materials into finished goods at a mutually agreed upon specification and rate. The raw materials typically include; (a) spandex; (b) flat or raw nylon and polyester; (c) nylon and polyester POY; and (d) any other agreed upon products. The Supplier and Buyer will meet monthly, in person or by conference call, (the "Aged Inventory Meeting").

The Aged Inventory Meeting will be attended by the appropriate personnel from both parties. The objective of the Aged Inventory Meeting will be to provide the Buyer with available information as it relates to the "maximum inventory Pack date".

5. The Supplier will provide a weekly report (the "Replenishment Inventory Report"), in a mutually agreeable format for Replenishment Items only. At a minimum, the Report will include: (a) minimum inventory level; (b) maximum inventory level; (c) 4 week shipping average; (d) 13 week shipping average; and (e) Supplier's current-on

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hand-inventory amounts, by product, as well as include Buyer's monthly forecast figures. The Supplier and Buyer will determine what items should be included on this report periodically, as well as whether a Target Inventory Level ("TIL") is necessary. If determined necessary, the TIL must be mutually agreed upon by the parties.

The Supplier will manage Commitment Items by either (a) scheduling to order; or (b) scheduling to forecast; or (c) producing to stock levels that are mutually agreed upon in the monthly Aged Inventory Meeting.

The Supplier will manage Replenishment Item and Commitment Item finished goods inventory levels based upon the Supplier's Finished Goods Inventory/Service Level Process rules, set forth in Exhibit C-1.

6. Reserved.

7. Reserved

8. The Buyer and Supplier will meet weekly, in person or by conference call, (the "Weekly Meetings"). The Weekly Meetings will be attended by the appropriate personnel from both parties. The objective of the Weekly Meetings will be to provide Supplier with available information to guide the Supplier's production schedule to meet the Buyer's consumption, including; (a) production schedules; (b) changes in demand; (c) the occurrence of any promotional activity; (d) any obsolescence event; and (e) historical consumption data by vendor SKU. The Buyer will provide monthly forecasts for the HBI Seamless and Hosiery business units for all items that the Supplier is responsible for supplying.

9. HBI will ensure that each Facility that is serviced by Supplier's SMI Warehouse, provides prompt and timely orders and information to Supplier in order to schedule routine deliveries of needed Replenishment Items. The frequency of these deliveries shall be agreed upon, mutually.

10. Each designated Facility shall issue purchase orders to Supplier in order to direct the release of the Replenishment Items.

11. Reserved.

12. Supplier will be notified in the Weekly Meetings of an "end of life" event for any Replenishment Item. The Weekly Inventory Report will be reviewed to determine the amount of WIP and finished goods inventory for Replenishment and Commitment Items existing as of the date of such Weekly Inventory Report. HBI and Supplier shall work collaboratively to ensure consumption of Supplier's inventory of Replenishment and Commitment Items within a determined Product "end of life" time frame, not to exceed [Confidential]* from the Pack Date. If the entirety of such Replenishment Item inventory is not consumed within the agreed upon Product "end of life" time frame, HBI may make

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other reasonable arrangements to utilize Supplier's remaining inventory of the Replenishment or Commitment Items. The Buyer will be responsible for notifying Supplier of any discontinued items and the remaining inventory, provided however with regard to specific products and quantities as determined and agreed upon by the parties, the same shall be purchased by the Buyer, including [Confidential]*.

13. Reserved.

14. For all items that have reached the maximum inventory Pack date, Supplier shall invoice HBI and HBI will provide a Purchase Order and shipment location for Supplier to ship such product.

15. The Term of this Supplier Managed Inventory Agreement shall coincide with the Term of the Supply Agreement, provided however such termination shall not affect Buyer's obligations to consume or purchase Supplier's products as hereinbefore set forth (end of life, obsolescence, Commitment Items, Raw Commitment Items or otherwise).

16. A Target Inventory Level (TIL) can be added to Exhibit C-2, if Supplier and Buyer agree that it is needed.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives, as of the day and year first written above.

"Supplier"

Unifi Manufacturing, Inc.

By: /s/ R. ROGER BERRIER

Roger Berrier, President and Chief Operating Officer

"HBI"

HANESBRANDS INC.

By: /s/ GERALD EVANS

Gerald Evans, President, Chief Operating Officer

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EXHIBIT C-1

UMI Finished Goods Inventory/Service Level Process

UMI uses the Demand Segmentation process for establishing inventory levels to carry.

Historic weekly shipment averages are analyzed to determine which items have stable demand.

For stable demand items, history is a better indicator of future orders than forecasting.

Stability of demand is determined by calculating the Coefficient of Variation (COV).

$$\text{COV} = (\text{Standard Deviation of Weekly Demand} / \text{Average Weekly Demand})$$

Typically a COV of [Confidential]* is used to determine if the item's demand is stable enough to hold inventory (for Covering, [Confidential]* is used).

For stable demand items, minimum and maximum inventory levels are established to hold.

Minimum inventory levels vary by product line:

For texturing, the minimum equals [Confidential]* of average demand + the equivalent number of days of demand for the transit time to the customer. For example, if going to Puerto Rico, the minimum is [Confidential]* days of average demand.

For covering, the minimum is [Confidential]* of average demand if the item is continuously in production. If the average volume is not enough to produce continuously, the minimum is [Confidential]* of average demand + the lead time to produce a doff.

Build quantities are established based on logical production increments and added to the minimums to establish the maximums.

Planners make adjustments to min max levels as required due to significant continued increases or decreases in shipments (with Sales input).

For items that do not exhibit stable demand, production is scheduled to order.

If the production lead times are not acceptable to the customer, such unstable demand items can be made to forecast or made to agreed upon stock levels, but the customer must agree to take any remaining inventory within 6 months of production.

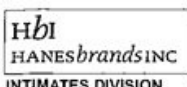
EXHIBIT D

Supplier Facilities

1. Yadkinville, North Carolina Polyester and Spinning Plants
 2. Madison, North Carolina Nylon Texturing & Covering Plant
 3. Reidsville, North Carolina Dye House
 4. Finished Goods Warehouse, Compton, California
 5. Warp Development Company Warp Draw facility, Monroe, North Carolina
 6. Finished Goods Warehouse located in Puerto Rico
 7. Warehouse/Production Facility located in El Salvador
 8. Alfenas, Brazil manufacturing and warehouse facility.
-

EXHIBIT E

Sample Purchase Order



PURCHASE ORDER

INTIMATES DIVISION
HANESBRANDS INC
INNERWEAR
1000 EAST HANES MILL RD
WINSTON SALEM NC 27105

PURCHASE ORDER#: EP003435
ORIGINAL DATE PO SENT: 10/15/2009
TRANSMISSION METHOD: FAX

RELEASE NUMBER: 0
BUYER: ELIZABETH PACHEC
TEL: (787) 850-3440

VENDOR:

UNIFI INC 176908
ATTN DANA JOYCE
7201 WEST FRIENDLY A
GREENSBORO NC 27419-910
ATT: DANA JOYCE
TEL: (336) 427-1724 FAX: (336) 427-1730

BILL TO:

HANESBRANDS INC
INNERWEAR
P.O. BOX 809
RURAL HALL NC 27045

TERMS:

FOB PCIN
TERMS:
SHIP VIA:

SHIP TO:

SEAMLESS TEXTILES - CAMUY PLNT
HIGHWAY 119 KM 4.0
CAMUY INDUSTRIAL PARK
CAMUY PR 00627-

SKU DETAILS:

SLIA SKU: YN0075XNC0000000 VENDOR SKU: 2X60/68STRETCH NY
DESCRIPTION 2 X 68/68 HNF Nylon XNC 00000 00
PRICE: MISC CHARGES: 0

LINE	SHIP NOT LATER THEN	REQUESTED DELIVERY	UNITS	\$
1	10/15/2009	10/19/2009		

TOTALS

EXHIBIT F

Specifications

Denier	> 100 +/- 1.5	< 100 +/- 1
Shrinkage	> 50% +/- 4%	< 25% +/- 2%
Tacs/m	+/- 10	
Retention	+/- 5%	
Oil %	-2.5%	+5.0%
Density	+/- .02	

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EXHIBIT 6.3.1

Fabric Claim Policy

- In making claim settlements, UMI pays only the actual out-of-pocket loss incurred for off-quality fabric based on direct cost figures; i.e. yarn, knitting, dyeing and finishing charges. Indirect costs such as freight, overhead, etc. are not allowed in the claims process. UMI reserves the right to be consulted prior to any fabric being sold off as to the salvage value obtainable. The right to have documented proof (invoices) to verify the salvage value obtained is also reserved.
 - UMI reserves the right to examine and sample all claimed fabric fallout. No payment will be made for fabric not made available.
 - UMI will not pay claims on fabric that has not been finished in a reasonable length of time. The question of “reasonable time” is difficult. Fabric that has been knitted and held in inventory in excess of 6 months would certainly be considered to be at the end of a “reasonable time”.
 - UMI will not pay claims on fabrics made with yarns that are out of date or mixed with current yarns. Yarns that are older than 6 months from ship date would be considered out of date. All complaints or claims filed should include the texturing time period of the yarn that was used to process the fabric.
 - Liability for a claim is determined by fabric analysis of representative swatches. Percentage of liability is determined by the actual results of a representative sampling (ex. Texturing, knitting, or dyeing and finishing).
 - UMI does not honor claims for “machine down time” or lost production. These costs are considered part of doing business and will not be allowed for claims processing.
 - Stitch length variations (knit extension in excess of [Confidential]* or shadow barre’) are the knitter’s responsibility. Weave extensions are the responsibility of the weaver.
 - Fabrics that level under mock dyeing are the dyer’s responsibility.
 - UMI reserves the right to require a cost breakdown on all claimed styles. This breakdown and appropriate salvage should accompany each claim.
-

EXHIBIT 6.3.2

Yarn Return Policy

It is the intention of UMI to supply our customers with superior quality products as free of defects as possible. Yarn returns are expensive to both parties. It is by this statement of policy that these yarn returns will, hopefully, be made simpler and less costly to you, our valued customer, and to UMI.

- UMI request that our yarns be given a fair trial before being removed from your processing equipment. Unless an obvious defect is found, we request that the package be allowed three (3) attempts before removal. It has been found that approximately 75% of the yarn returned to UMI contains no UMI related defects. We expect a package that can be cleaned (cleaning to include removal of wound-in-waste, knots, etc.), in a reasonable length of time, to be cleaned and given a second and third change before removal and return to UMI.
 - UMI requests that yarns be returned in a condition “similar” to that in which the original yarns was received. UMI will not issue credit for yarn damaged by the customer (e.g. grease, dirt, water, improper handling, etc.). UMI will not issue credit on any yarn containing ink marks.
 - Unless there is a documented core problem, (i.e., bad paper tube, core winding problem, etc.) UMI will not issue credit for the return of very small packages (i.e., skimmers) as the shipping cost of transporting paper is an unnecessary expense.
 - We will not issue credit for packages in a return with no visible defects unless there is a stocking, garment, “reason for removal card,” etc., identifying the yarn problem with the returned package. This does not include returns for customer accommodations, unsuitability of the yarn for the intended end use etc.
 - UMI requests that yarns be returned in a reasonable length of time. We will not issue credit for out-of-date yarn. The question of “reasonable time” is sometimes difficult to resolve, but yarn held in the customer’s inventory in excess of 6 months from our date of shipment would certainly be considered to be at the end of “a reasonable time.” The 6 month age limitation applies to textured yarns and covered yarns.
 - No returns will be accepted without a proper return authorization number. This number must be on all paperwork to insure that the proper credit is issued to your account.
 - An issued return authorization number will be canceled if the return is not received within 30 days from receipt of the number. After 30 days a new number will need to be obtained from UMI.
-

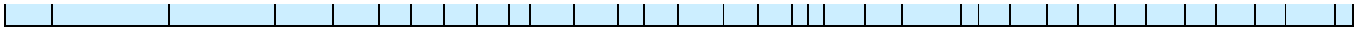
- UMI re-weighs all returns and issues credit based on our weights, less customer damaged goods, skinner, no visible defect yarn, out-of-date yarn, etc.
 - In most cases, UMI lot changes are the result of changes in our feeder yarns over which we have no control. We need to work together to balance the twists to minimize the loss of value and returns. Credit will not be issued for leftover yarn as a result of not working to minimize the cost of the changeover.
 - Notification of the non-issuance of return credit along with the reason for the non-issuance will be sent to your Account Manager. Your Account Manager will communicate this information to you. UMI will dispose of this non-credit yarn or return it to the customer (freight collect), whichever the customer desires.
 - Yarn returned for creating a defective garment should have the defective garment tied around the package. This procedure will help us identify packages that are defective for reasons other than runnability problems (i.e., lean ends, missing components, etc.)
 - UMI requests that different lots and twists be kept separate.
 - UMI reserves the right to examine the yarn return prior to issuing the authorization to return the product.
 - All yarn returned for customer accommodation will be credited at the purchase price, less a TBD charge per pound for handling plus shipping charges.
-

EXHIBIT 10.18

Insurance Requirements

- I. Commercial General Liability
 - (A) Limits:
 - \$5,000,000.00 minimum limits per Occurrence/ \$10,000,000.00 general aggregate (can include umbrella liability limits)
 - \$5,000,000.00 Products/Completed Operations Aggregate with such coverage to be maintained for a period of three (3) years following completion date
 - II. Automobile Liability
 - (A) Any Auto
 - (B) Limits:
 - \$2,000,000.00 minimum Combined Single Limit (can include umbrella liability limits)
 - III. Workers' Compensation and Employers Liability
 - (A) Statutory Workers' Compensation Coverage
 - (B) All States Endorsement
 - (C) Employers Liability Limit:
 - \$1,000,000.00 each accident
 - IV. Other
 - (A) Commercial Blanket Bond/Crime/Employee Dishonesty with limits of \$2,000,000.00 per occurrence, including an endorsement for "client's property"
 - V. General Requirements
 - (A) Additional Insured Language must be as follows:
 - "Hanesbrands Inc. and any and all subsidiaries" are named as an additional insured as respect to General Liability and Automobile Liability.
 - (B) A waiver of subrogation shall be provided to Hanesbrands and any subsidiary as respect to the General Liability.
 - (C) Policy must be written on an occurrence form.
-

- (D) General Liability shall be endorsed to state coverage is primary over any other available insurance coverages.
 - (E) 30 Business Days written notice of cancellation, notice of non-renewal or material changes in coverage.
 - (F) Insurance must be written by an insurance company with a minimum rating of Best's A-, VIII or its equivalent, satisfactory to Hanesbrands and duly incorporated in the United States of America.
 - (G) Most current ISO (Insurance Services Office, Inc.) form for all coverages.
 - (H) Original Certificate of Insurance (ACORD form) to be delivered to Hanesbrands prior to commencement of any work and/or service.
 - (I) It is the responsibility of Supplier to ensure that Hanesbrands always has a current Certificate of Insurance for all lines of coverage.
-



UNIFI, INC.

ETHICAL BUSINESS CONDUCT POLICY STATEMENT

(As Revised July 23, 2014)

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ETHICAL BUSINESS CONDUCT POLICY STATEMENT

Unifi, Inc. ("Unifi" or the "Company") is committed to the highest standards of ethical business conduct, based on fundamental principles of integrity and fair play as well as compliance with applicable laws, rules and regulations. Such conduct is required of Unifi personnel in the performance of their jobs or other Company responsibilities, whether such responsibilities relate to internal Company matters or to relationships with customers, suppliers, competitors or other members of the communities in which the Company operates. For purposes of this Ethical Business Conduct Policy Statement (the "Ethics Policy Statement"), the term "Unifi personnel" or "Company personnel" includes members of the Company's Board of Directors (the "Board") as well as the Company's employees.

This Ethics Policy Statement has been adopted by the Board, and it is part of the Company's broader program to promote among all personnel the Company's commitment to ethical business conduct and to assist them in resolving questions and in reporting suspected violations without fear of retaliation or other reprisal. The Office of Corporate Compliance has been established to provide guidance and implement procedures to assist Company personnel in complying with this Ethics Policy Statement. All executive officers, Vice Presidents and others who supervise subordinate personnel are responsible for supporting such implementation and assisting with monitoring compliance.

All Unifi personnel have the responsibility to ask questions, seek guidance, promptly report suspected violations, and express any concerns regarding compliance with this Ethics Policy Statement. (Section 14 describes how concerns can be reported, including by using the confidential Corporate Hotline that Unifi maintains.) All Company personnel, regardless of office or position, shall be held accountable for compliance with this Ethics Policy Statement. A failure to comply will warrant appropriate discipline, which may include termination of employment or one's other relationship with the Company, and may require notification of law enforcement authorities if criminal conduct is also involved.

As discussed in Section 15, this Ethics Policy Statement has been adopted to support compliance with the Company's various policies that focus on specific matters, by highlighting the ethical behavior aspects. It does not replace or supersede any such policy, each which continues to apply and must be understood and followed by all Company personnel to whom they relate.

1. Legal Compliance and Ethical Standards Generally

Complying with the law, both in spirit and letter, is the threshold standard for the Company's commitment to ethical business conduct. Several of the more frequently implicated laws or regulations are addressed specifically in this Ethics Policy Statement. But, this threshold standard applies to all applicable laws, rules and regulations and all Company personnel, regardless of where they are based or may travel to conduct Company business.

The principles of integrity and fair play comprise the foundation of the Company's commitment. They underlie the other values that are reflected in this Ethics Policy Statement, and they include, as integral components, the principles of honesty and doing the right thing in all business dealings. The remaining sections of this Ethics Policy Statement are built upon these general principles and standards.

2. Conflicts of Interests

Unifi respects the rights of its personnel to manage their personal affairs, and Unifi does not wish to intrude upon such personal matters. At the same time, Unifi requires that a person's outside activities and personal interests not hinder, distract or otherwise adversely affect the performance of his or her job or other responsibility to the Company. All Unifi personnel must perform their responsibilities in the best interest of Unifi, and they must avoid situations that present an actual or potential conflict between their personal interests and the interest of Unifi.

As a result, conflicts of interests are generally prohibited as a matter of Unifi policy. Exceptions may only be made in accordance with the following procedures. For an employee who is not an executive officer, all potential conflicts of interests must be reported to (and approved in writing by) an executive officer or by a Vice President in the reporting chain of the employee's primary work department or area. Certain situations, as discussed elsewhere herein, may require express approval of an executive officer or the Corporate Compliance Officer. For directors and executive officers, all potential conflicts of interests must be reported to (and approved by) the Board or by a committee of the Board to which such approval authority may have been delegated, such as the Corporate Governance and Nominating Committee (the "Governance Committee") or the Audit Committee.

A "conflict of interests" exists when someone's personal interest conflicts in any way with an interest of Unifi, such that it threatens the person's proper performance of his or her duty to Unifi. A conflict of interests can arise in a wide variety of situations, including when a person, or members of his or her family, receives an improper personal benefit as a result of his or her position with Unifi. Set forth below are examples of how a conflict of interests can arise. However, this Ethics Policy Statement cannot specifically address every potential situation. Company personnel are expected to evaluate closely the appropriateness of any activity or relationship that might give rise to a conflict of interests and to seek guidance if they have any questions.

Non-Unifi Employment - Unifi does not wish to interfere unreasonably with an employee's activities outside the hours required to work for the Company. However, Unifi personnel may not work for Unifi's customers or suppliers, for consultants related to Unifi's field of interest, or for competitors of Unifi, without prior written approval of an executive officer. Otherwise, Unifi personnel may engage in other business activities, provided that:

- Unifi's relationship with its customers or suppliers is not adversely affected;
- Unifi property is not involved without appropriate approval;
- job performance and attendance are not adversely affected; and
- Unifi work time is not used to conduct the outside business activity.

Gifts and Entertainment - The legitimate purpose of business entertainment and gifts is to help create good will and sound working relationships; it is not to gain unfair advantages for Unifi or personal benefits for any Unifi personnel. Yet, the receipt or giving of gifts or favors may be seen as an improper inducement to some concession or reciprocal benefit. Unifi wants its customers, suppliers and other vendors to understand that their business relationship with Unifi is based on their respective competitive abilities to meet Unifi's business needs. Accordingly, it is Unifi's policy that no gift or entertainment should ever be offered, provided or accepted by any Unifi personnel, or any of their family members, unless it satisfies the exceptions or limitations contained in Section 6 of this Ethics Policy Statement.

Significant Financial Interest In Certain Others - Unifi personnel and members of their household should not have a significant investment or other significant financial interest in the business of a customer, a supplier, a competitor, or an actual or potential participant in a transaction or any other business venture involving Unifi. Relatively small investments in the securities of publicly owned companies would not normally be considered significant, and thus would not be a violation of this guideline. The amount that would be considered significant will undoubtedly vary among Company personnel, depending on their respective personal circumstances. The Corporate Compliance Officer can (and should) be consulted for guidance about the implications of a person's specific circumstances.

3. Protection and Use of Company Property

All personnel have the responsibility to protect Company property and other resources from loss, theft or misuse and not to use Company property for non-Unifi activities without appropriate authorization. Information is one of Unifi's most valuable assets. The protection of Company information, along with the Company's tangible property, from unauthorized use, disclosure or destruction is the responsibility of every Unifi employee. Some examples are highlighted here.

Protection of Company Information - Company information is available to employees only on a need-to-know basis and must be used only for approved Company purposes. All personnel should maintain the confidentiality of information entrusted to them by the Company or its customers or suppliers, except when such disclosure is authorized by an executive officer or by a Vice President in the reporting chain of the employee's primary work department or area, or such disclosure is legally mandated.

Use of Company Information for Personal Gain - As with the Company's tangible property, no Company personnel may use Company information for personal financial profit or other personal advantage. More generally, Unifi personnel should not take for themselves any business opportunity that is discovered through the use of Company information or other property, or of which they become aware because of their position with the Company. Any such opportunity is a "corporate opportunity" that belongs to the Company. This restriction does *not* prevent any employee from pursuing or taking a job with someone else.

Intellectual Property Rights - Copyrights protect original works of authorship (such as technical papers, news articles, software, videos and artistic works) that are in a fixed form. Patents protect new and non-obvious products, processes, equipment and compositions. "Trade secrets" can cover a variety of sensitive information or know-how and have a special definition in the law, but where that definition is met, the information is protected. Copyrights, patents, "trade secrets" and other rights to know-how and intellectual property are valuable assets of the persons to whom they belong.

Unifi's policy is to honor the valid intellectual property rights of others, and Unifi expects others to honor such rights of Unifi. Consistent with this policy, Unifi expects and requires all Company personnel to observe the following:

- Unifi personnel may not copy, reproduce otherwise or distribute (including electronically) any copyrighted work without the permission of the copyright owner or its authorized agent, or unless an exception is otherwise recognized for limited use.
- With regard to computer software, Unifi personnel may copy and use software that is owned by others only in accordance with the applicable licensing agreement.
- Prior to commercialization, all new products and processes must be cleared by the Company's Legal Department to ensure their commercialization will not infringe any valid patent or other intellectual property right of another person. A finding of infringement could result in Unifi losing its right to make the infringing product and may require payment of damages based upon the sales of the infringing product.

Inventions as Company Property - Unifi's future growth and competitiveness depend in part upon the success of its research and development efforts. Any invention or other intellectual property that is conceived by Unifi personnel while employed by Unifi, and that relates to Unifi's existing or contemplated business, shall be the exclusive property of Unifi, unless an express written agreement otherwise has been executed by an executive officer.

4. Insider Trading

No Company personnel may buy or sell stock or other securities of Unifi (or any other company) while in possession of "material nonpublic information". Such conduct is not only unethical and a violation of Unifi policy, it is also illegal.

In the United States, the federal securities laws prohibit the purchase or sale of securities by a person, in breach of a fiduciary duty or other relationship of trust or confidence, while he or she is in possession of material non-public information relating to those securities. (Such information is sometimes referred to as "inside information".) The federal securities laws also prohibit persons from disclosing material non-public information to any other person (called "tipping") who might trade in the relevant securities while in possession of the inside information. These laws apply to all levels of Unifi personnel and their families, not just Unifi's directors and officers.

Information is "non-public" if it is not generally available to the public. The term "securities" not only includes Unifi's common stock, it also includes stock options, restricted stock and restricted stock units, and other financial instruments that relate to or derive their value from Unifi's securities (whether or not issued by Unifi).

Information is “material” if its disclosure would affect a reasonable investor’s decision to purchase or sell the securities. Information concerning Unifi’s sales, earnings, business prospects, significant acquisitions or mergers (or plans therefor), and major litigation developments are typical examples of material information. Other examples of information that may be considered material include:

- news of major changes in senior management
- loss of important contracts or customers
- potential dividends or other planned action regarding Unifi stock
- significant product developments or discontinuations
- a major financing transaction or anticipated major expenditure

These are not, however, the only types of information that could be material.

Violations of the securities laws are taken very seriously, and government agencies regularly monitor trading activities. Violations can be prosecuted even when the amount involved is small or when a “tipper” made no profit at all. Violations can result in serious criminal and civil penalties against the individuals involved.

To avoid even the appearance of impropriety and to facilitate compliance with federal securities laws, Unifi policy also prohibits Unifi personnel from buying or selling “put” or “call” options, or making “short sales” of Unifi stock, whether or not in possession of inside information. In addition to the above, other restrictions apply to Unifi’s officers and directors.

5. Record-Keeping, Accounting and Related Matters

Unifi requires honest and accurate recording and reporting of information in order to make responsible business decisions and to provide an accurate account of its performance in public disclosures. Unifi is committed to full compliance with all requirements applicable to its public disclosures, and especially with respect to accounting and related matters that can affect Unifi’s financial statements or reports that are covered by rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) or any stock market on which Unifi’s securities are traded. The accurate and timely reporting of Unifi’s financial results and financial condition requires that all financial information be recorded promptly and accurately, and that the Company’s systems for recording and reporting that information function properly and be subject to regular and thorough evaluations.

All of Unifi’s books, records and other accounts must be maintained in reasonable detail, must appropriately reflect Unifi’s transactions and must conform both to applicable legal and accounting requirements and to Unifi’s system of internal controls. Unrecorded or “off the books” accounts, funds or assets should not be maintained under any circumstances. No one may alter, knowingly make misleading entries or falsify Company records. Intentional accounting misclassifications and improper acceleration or deferral of expenses or revenues are examples of unacceptable reporting practices and serious violations of Company policy. Each Unifi employee is responsible for the integrity, completeness and accuracy of the Company records that he or she prepares or maintains. Many employees regularly incur business expenses that are reimbursed by Unifi; these must be documented and recorded accurately in accordance with Unifi’s employee reimbursement policy. Such reimbursement matters are a part of the record-keeping requirements of this Ethics Policy Statement.

It is also a violation of law as well as Unifi policy for any Unifi employee to attempt to improperly influence or mislead any accountant engaged in preparing Unifi's audit. All personnel are responsible for reporting to Unifi any questionable accounting, internal accounting controls or auditing matters that may come to their attention. They may report concerns regarding these matters, without fear of retaliation or other reprisal of any kind, on a confidential and/or anonymous basis, by following the procedures as set forth in Section 14 for reporting suspected violations of this Ethics Policy Statement. These procedures include the Company's Corporate Hotline described in Section 14.

All Company records, whether in physical or electronic form, must be retained in accordance with any Unifi records management and retention guidelines that have (or may be) established, and, in any event, in accordance with applicable legal requirements. Without limiting the foregoing, in the event of litigation or a governmental investigation, Company personnel must consult with the Office of the General Counsel before destroying any records that might relate in any way to such a matter, unless express approval has already been obtained for the proposed action from an executive officer or from a Vice President in the reporting chain of the employee's primary work department or area.

6. Relationships With Customers, Suppliers and Other Companies

Unifi sells and purchases superior products and services on the merits of competitive pricing, quality of work and materials, and timely performance. Unifi does not want to conduct business on any other basis. In all relationships, including with its competitors, Unifi adheres to its fundamental principles of integrity and fair play. That means, among other things, that Unifi and all of its personnel must strive to treat other parties fairly and honestly, by doing what is right in accordance with those principles, as well as what is legal. These principles lead to several important policy guidelines for behavior by Unifi personnel, including the following:

Contacts with Competitors - In all contacts with competitors or potential competitors, Unifi must avoid any conduct that suggests an express or implied understanding or agreement exists with respect to prices or other terms of sale or production, or the allocation of customers, markets or territories. Such agreements or understandings can serve as the basis for criminal liability under the antitrust laws of the United States or the comparable "competition" laws of other countries. Such violations could expose an employee to imprisonment and the Company to massive monetary penalties and significant civil damage claims. Therefore, Unifi policy prohibits any discussion or communication with any representative of a competitor or a potential competitor concerning, among other things, the following:

- Prices, pricing policies and bidding information

- Discounts, royalties or promotions
- Credit or shipment terms, or other conditions of sale
- Strategies for selection or development of customers
- Strategies for development or rationalization of territorial markets
- Strategies for products to be manufactured and/or sold
- Production quantities or quotas
- Employee compensation practices

Moreover, Unifi personnel should not ask someone else to determine what competitors will do in response to a proposed business action, where obtaining an answer would likely or reasonably involve the person contacting a Unifi competitor about a prohibited matter. Unifi personnel cannot do anything indirectly that would be a violation of law or Unifi policy if done directly.

Supplying Goods and Services - No Unifi employee may benefit, or seek to benefit, personally from a relationship that Unifi has with a customer or supplier. All employees must be free from the influence of personal considerations when representing the Company in transactions with outside parties; when making recommendations related to such transactions; or when making decisions about such transactions. As discussed in Section 2 of this Ethics Policy Statement, all personnel should avoid situations that could lead to divided loyalties or present the appearance of a conflict of interests.

Giving/Receiving Gifts or Favors - Unifi personnel and members of their household should not offer, solicit or accept any items of value to or from any person or organization that does or seeks to do business with, or is a competitor of, the Company, if doing so may be construed as an attempt to influence or induce business in an inappropriate manner. If a gift or other benefit is offered to an employee that is not normally associated with customary and approved Unifi business practices, an executive officer or Vice President (or his or her designee for such matters) must approve its acceptance.

The offer or acceptance of cash, cash equivalents or securities is not appropriate under any circumstances. An employee or a member of his or her household may accept promotional premiums or discounts on personal purchases of a supplier's or customer's product if such premiums or discounts are available to the public generally or, in most cases, if such items are offered generally to all other Company employees.

The unsolicited giving or receiving of meals, refreshment, travel arrangements, lodging or accommodations, entertainment, tickets, small gifts or gratuities, and other incidental benefits may be allowed, under the following guidelines, if the purpose is to hold bona fide business discussions or to foster legitimate business relations:

- they are consistent with lawful and acceptable business customs and practices in the particular location;
- they are not in violation of the ethical guidelines of the other person's company;
- they are of reasonable value and (if given by the Unifi employee) would be paid by the Company's normal expense reimbursement procedures;
- they cannot reasonably be construed as a bribe, pay-off or kickback;
- they will not cause, and would not reasonably be perceived to cause, the recipient to alter normal business judgment concerning any transaction with the Company or otherwise impair the individual's loyalty to his or her employer; and
- they would not be an embarrassment to the Company if publicly disclosed.

Under no circumstances should any gift, entertainment, meal, transportation, lodging or other thing of value be given to an employee of any U.S. state and federal agency, unless specific confirmation has been obtained from the Office of the General Counsel that it is lawful to do so in the particular circumstances or context.

In some countries outside the United States, local customs may encourage the giving or exchange of gifts in a business context on special occasions. In these countries, such customary giving of gifts may be allowed by Unifi, **provided that** the practice is lawful in the location and the gifts are of nominal value; the action cannot be construed as seeking special favor; **and** prior approval has been obtained from an executive officer or from a Vice President in the reporting chain of the employee's primary work department or area. Where Company guidelines would not normally permit an employee to accept a specific gift, but a local custom would make refusal of the gift awkward or insulting, the gift can be accepted, if it is lawful to do so in such country. The employee should immediately consult with his or her supervisor or manager, who in turn shall immediately consult with an executive officer or a Vice President in the reporting chain of the employee's primary work department or area, concerning the appropriate disposition of the gift. In addition, the Office of Corporate Compliance should be informed about the matter.

Any employee who is asked to make a questionable payment by a third party, or who is offered something of value in the course of his or her job duties that does not clearly fit within the above limited categories of exceptions, should immediately contact an executive officer or a Vice President in the reporting chain of the employee's primary work department or area for guidance. The Office of the General Counsel should also be promptly notified about the matter.

Receiving Confidential Information from Other Companies - Unifi's policy is not to accept information from other companies that could be deemed confidential, restricted or limited in its disclosure or use, **unless** a written agreement specifying the rights and obligations of all parties has been approved by Unifi's Legal Department and signed by an authorized representative of each party. A properly approved and executed agreement is necessary to help assure that Unifi's business, research and development, and technical services activities are not compromised, and that an unwanted confidential relationship is not claimed by another party. An appropriate agreement can also help to avoid the improper receipt of information under the Economic Espionage Act of 1996.

As a general matter, until such an agreement is in place, Unifi employees should refuse to discuss or accept the confidential information of others. Examples of such confidential information could include, but is not limited to, unsolicited disclosures by outside inventors; drawings and manuals that bear markings asserting confidentiality; proprietary designs, processes, methods, systems, procedures or formulas; or confidential financial information or business planning documents. An executive officer or a Vice President, acting with appropriate guidance from the Office of the General Counsel, may use lawful and ethical means to obtain non-public information about others.

Unifi employees visiting the offices or plants of customers, suppliers or competitors should not sign visitor registration pads or passes that contain secrecy agreements or confidentiality clauses. Where a secrecy or confidentiality agreement is necessary for such a visit, an appropriately drafted agreement should be approved by the Unifi Legal Department (and executed by the parties) prior to the visit.

Information about Other Companies - Unifi uses confidential information about other companies in an appropriate business context and limits the availability of such information to those who reasonably need it to conduct Unifi's business. Unifi will not use any illegal or improper act to obtain another company's trade secrets or other confidential business information. The use of industrial espionage, trespassing, burglary, wiretapping or any other such unlawful or unethical tactic to obtain such information, or for any other purpose, is prohibited.

Unifi also will not hire a competitor's employees to obtain confidential information, or improperly solicit confidential data from employees of any party. A Unifi employee must not disclose or discuss confidential information from a previous employer with any Unifi employee. Any Unifi employee who is obligated under any written agreement of confidentiality with a former employer must comply with the terms of any such agreement.

Benchmarking And Information Exchanges - Benchmarking is a structured approach for exchanging and analyzing information between or among companies. Any exchanges of information with, or benchmarking of, competitors, whether directly or through a third party or consultant, must be carefully examined to determine whether they raise concerns under antitrust or competition laws. Any such benchmarking or exchanges of information should be approved in advance by the Office of the General Counsel.

Trade Associations and Industry Groups - Trade associations and industry groups typically involve meetings of competitors. In order to assure compliance with antitrust and competition laws and regulations, membership in such an organization, whether of competitors or customers or suppliers, require the advance approval of the Office of the General Counsel. At such meetings, Unifi personnel should not engage in formal or informal discussion of pricing or other similar matters with competitors.

7. Workplace Environment and Behavior

Unifi's policies and procedures for its workplace are designed to ensure that all employees are treated fairly and with respect; that employees treat others with the same respect; and that the physical spaces where Unifi employees work reflect Unifi's commitment to health and safety and sustainability of the environment. These policies and procedures cover a broad range of legal requirements and standards as well as the Company's fundamental principles for ethical business conduct. While the following matters are highlighted here for special attention, all such policies and procedures are subject to this Ethics Policy Statement.

Discrimination and Harassment - At the core of Unifi's workplace behavior protocols and practices is Unifi's prohibition of discrimination on the basis of race, color, religion, sex, sexual orientation, age, national origins, disability, veteran status, marital status or any other factor prohibited by law (each an "Anti-Discrimination Factor"). This policy applies to all personnel actions, including recruiting, hiring, promotions, compensation and benefits, transfers, layoffs and terminations.

Unifi is committed to providing a workplace that is free from all forms of discrimination and conduct that can be considered harassing, hostile or unlawfully coercive. Unifi's policy prohibits any form of harassment of employees by managers, supervisors or co-workers, both in the workplace and off-premises, including at social activities conducted or sponsored by Unifi. Similarly, Unifi will not tolerate harassment by its employees of non-employees with whom Unifi employees have a business relationship.

If an employee believes that he or she has been subjected to discrimination or harassment of any type, the employee is encouraged to promptly notify the Human Resources Department or Unifi's Legal Department, and the employee may also notify an executive officer or a Vice President. Any such person who is provided such notice (and any supervisor or manager who becomes aware of possible discrimination or harassment against a subordinate whom he or she supervises) must immediately inform the Office of the General Counsel. In lieu of providing notice personally to any such person, however, an employee may use the Company's Corporate Hotline (as described in Section 14) to make a confidential and/or anonymous report of the behavior. All reports of discrimination or harassment will be investigated promptly and, to the extent possible, confidentially.

Broad Scope of Harassment - Harassment can take a variety of forms. Words and comments (including would-be "jokes"), signs, pictures, posters, emails or other electronic communications, as well as physical acts of violence or intimidation, or unwelcome contact or gestures, that are based on an Anti-Discrimination Factor may constitute harassment. Harassment may include conduct that is not directed at a particular individual, but that occurs in his or her presence. Any conduct that constitutes ***sexual harassment*** is particularly pernicious. Such harassment can include unwelcome sexual advances, explicit or implicit promises of favorable treatment in return for sexual favors, comments of a sexual nature, or the display of sexually explicit materials in the workplace. In any event, harassment in any form is prohibited and will not be tolerated by Unifi.

Alcohol and Drugs - All Unifi employees must be free of impairment due to alcohol or drugs upon reporting to work and during all work time. The illegal or unauthorized possession or use of alcohol or drugs on Company property is prohibited. The use of alcohol or drugs off-premises while on Company business is also prohibited, if such use results in either the impairment of the employee's business judgment or job performance or placing the safety of the employee or others at risk. Appropriate levels of alcohol consumption at events that are principally social (including business networking events) are not prohibited by this guideline, although all Company personnel should be mindful that their behavior (in any situation) could potentially reflect upon Unifi.

As a condition of continued employment, employees must notify their immediate supervisor or manager, or Unifi's Human Resources Department, in writing of any criminal drug statute conviction within five (5) days after such a conviction.

To achieve and maintain a drug-free workplace, each site within the Company will have discretion to adopt, in coordination with the Human Resources Department and the Office of the General Counsel, a lawful program of random, non-discriminatory, drug testing for all employees at that site.

Restriction on Firearms - The possession of firearms on any Company property is prohibited, unless specifically authorized by site procedures; as may be necessary for an employee's job (such as a security guard); or express approval has been obtained from an executive officer and the Office of Corporate Compliance has been informed. Possession not only includes carrying a firearm on one's person, it also includes having a firearm in a locker, in a Company vehicle at any time or in a private vehicle on Company property.

Employee Personal Relationships - Personal relationships (including sexual or other intimate relationships) between employees on their personal time and away from Company property are, as a general matter, outside the Company's area of concern. However, the Company will become involved, and take appropriate action, if problems resulting from such a relationship manifest themselves on the job, or if a supervisor or manager engages in such a relationship with a subordinate who is under his or her supervision. Among other things, the latter situation could constitute (or create the appearance of) a conflict of interests that is prohibited by this Ethics Policy Statement.

8. Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act (the "FCPA") prohibits giving anything of value, directly or indirectly, to officials of foreign governments, foreign political candidates and certain others covered by the FCPA (an "FCPA Covered Official") in order to obtain or retain business or other competitive advantage, in any jurisdiction. In addition, the United States government has a number of laws and regulations regarding business gratuities that may be accepted by United States government personnel. The promise, offer or delivery to an official or employee of the United States government of a gift, favor or other gratuity in violation of these rules not only violates Unifi policy, but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. In addition, as discussed in Section 10, some foreign countries have laws and rules on similar matters that may apply to certain of the Company's operations.

Unifi's policy is to comply with all applicable laws and regulations regarding payments (or providing things of value) to both United States and foreign government officials and employees, whether or not an FCPA Covered Official. Unifi will not offer, authorize or make any illegal payments, or provide anything of value, directly or indirectly, to a foreign or U.S. government official, political party or candidate for political office in order to cause or influence the person to use his or her influence to obtain or retain business or other competitive advantage for the Company. Both the offer and actual payment of anything of value for such purpose is illegal. Payments to third parties are also prohibited if a person knows or should know that the third party will use such funds to make such an illegal payment.

In certain foreign jurisdictions, but not in all of them, it is lawful to make so-called *facilitating or expediting payments* in order to receive secure timely performance of "*routine governmental actions*" that the Company is entitled to receive under local law. In certain situations, making such payments is not prohibited by this Ethics Policy Statement, if appropriate procedures are followed. "Routine governmental actions" in those jurisdictions include matters such as obtaining permits and licenses, processing visas and work permits, mail pickup and delivery, and providing telephone and water service and supply. "Routine governmental action" does **not** include any governmental decision whether, or on what terms, to award business or other competitive advantage to the Company. Where payments for routine governmental actions are required and lawful in a particular jurisdiction, they can be made, subject to the following conditions: prior approval has been obtained from Company legal counsel; the payments are limited to customary and nominal amounts; and the payments are made only to facilitate the proper performance of a routine governmental action.

Facilitating and expediting payments must be recorded as a business expense in the Company's books and records. All payments of this type made by employees in the course of Company travel must be properly noted and labeled on their expense statements. Employees should exercise extreme caution in the making of such payments.

9. Government Investigations

It is the Company's policy to cooperate with any government investigation. A condition of such cooperation, however, is that the Company be adequately represented in such investigations by its own legal counsel. Accordingly, if any Company employee obtains information that would lead a reasonable person to believe that a government investigation or inquiry is underway (or about to commence), this information should be communicated immediately to the Office of the General Counsel.

Appropriate handling of government investigations is very important for the Company, for management, and for all employees. Virtually all of the federal laws regulating the conduct of the Company's business, including antitrust, securities, OSHA, environmental, government procurement, tax and financial reporting laws, contain civil and criminal penalties. The criminal penalties can apply to the Company as well as to Company personnel who took an action that violated the law or who failed to take action that resulted in a violation of the law.

Company personnel should never, under any circumstances, destroy any Company documents in anticipation of a request for those documents from any government agency or a court; alter any Company documents or records; lie or make any misleading statements to any government investigator; or attempt to cause any other Company employee, or any other person, to fail to provide information to any government investigator or to provide any false or misleading information.

10. Some Special International Matters

Unifi conducts its international business activities in strict compliance with all U.S. laws, including laws governing matters such as antitrust, customs, duties, anti-boycott, export control and foreign corrupt practices. The Company also obeys applicable laws of the foreign countries in which it does business. Because some foreign laws may vary widely from those in the United States, and from country to country, care must be taken to identify and accommodate such differences. Where comparable laws do not exist in a foreign country — or where the laws, customs or business practices in a particular country are less demanding than the Company's policies and guidelines — Unifi will use its higher standards to guide the actions of the Company and its personnel. Other sections of this Ethics Policy Statement address the Company's general requirements in this regard (*e.g.*, Sections 1, 5, 7 and 8). Some special situations are covered here, but they do not limit the applicability of the broader requirements.

Anti-Bribery and Corruption - The United Kingdom Bribery Act and Brazil's anti-corruption law (BL12.846/13) are examples of foreign country laws that prohibit or restrict certain types of business behavior. It is Unifi's policy to comply with such laws to the extent they are applicable to Unifi's activities or operations. As discussed in Section 8, the FCPA's scope is broad and extends expressly to actions outside the United States, and Unifi personnel must comply with the FCPA at all times. In addition, where a foreign country has more restrictive requirements, Unifi personnel must also comply with those requirements whenever and wherever they are applicable.

Anti-Boycott - Unifi will not participate in or support economic boycotts that are not sanctioned by the U.S. government. Under the current U.S. anti-boycott laws, Unifi cannot do things such as refuse to do business with an illegally boycotted country; furnish or agree to furnish information about business relationships with illegally boycotted countries, or pay, honor, issue, confirm or negotiate a letter of credit requiring Unifi to participate in an illegal boycott.

Boycott related requests are often received orally or in the form of a contract bid, purchase order, insurance verification, letter of credit, shipping document, or joint venture or alliance negotiations. Any request for Unifi to participate in or support an illegal economic boycott must be reported to the U.S. government, and the failure to do so is a violation of U.S. law. These laws apply to Unifi's operations outside as well as inside the United States. Any Unifi employee who receives a boycott request must immediately contact the Office of the General Counsel.

Export Control - The United States and many other governments have laws and regulations that govern, and in some cases prohibit, the export or other release of certain products and technical data from one country to another. Unifi's policy is to comply with export regulations worldwide. Export laws and regulations are complex and change frequently. Employees involved in export activities should remain vigilant about legal requirements and consult with the Company's export law legal counsel (or the Office of the General Counsel) regularly to ensure they are current on recent developments.

According to U.S. regulations, no controlled technical data or products may be shipped out of the United States without a license from the U.S. government. The re-export of products or technical data from the original destination to yet another country may require a re-export license *prior* to shipment to the re-export destination. "Technical data" means any information that can be used or adapted for use in the design, production, manufacture, utilization or reconstruction of articles or materials. Acts of exportation of technical data cover a broad range of activities that might not be readily apparent, because they include disclosing technical information to an employee of a Unifi foreign subsidiary; disclosing technical information to a non-U.S. citizen, including Unifi employees or consultants who do not have a green card; and providing information to non-U.S. companies or individuals. As a result, any disclosure of technical data to a non-U.S. person or entity must be reviewed, prior to export, in order to ensure compliance.

11. Marketing and Media; Investor Relations

In marketing its products, Unifi must comply with any antitrust or competition law requirements, alluded to elsewhere in this Ethics Policy Statement. There are some additional or special legal or ethical principles that also govern Unifi's conduct with respect to advertising and related marketing matters.

Unifi's policy is that all advertising should be truthful. If Unifi makes specific claims about products, it should have supporting evidence. The Company should not label or market its products in any way that might cause confusion with the products of others. If Unifi engages in products comparisons, such comparisons should be fair. Comparative advertising is subject to special legal regulation and should, therefore, be cleared in advance with the Company's Legal Department. All use of the Company's trademarks and trade names in advertising should be in accordance with applicable law and Company policies. Advertising and promotional allowances are subject to very detailed and technical regulation under the Robinson-Patman Act and, therefore, should only be offered after approval from the Company's Legal Department.

More generally, Unifi values its relationships with those in the investment community and the media generally, and the Company should endeavor to provide full and prompt disclosure of material developments or events.

As a general matter, all communications with the media (or others in the public) relating to the Company's public disclosures that are covered by SEC or stock market rules (or relating to financial matters otherwise) should be handled by or through the Company's Chief Executive Officer or Chief Financial Officer, or his or her designee for such matters. All statements to the media (or responses to inquiries from the media) relating to operating activities or events should either be handled by or through the Company's Chief Executive Officer or Chief Operating Officer, or his or her designee for such matters. If a particular media inquiry relates to a pending or threatened legal matter, all communications should also be coordinated with the Office of the General Counsel or the Company's legal counsel who is handling the particular matter. Any other employee asked for a statement from a member of the media should respond by explaining this policy.

Any communication from a Company shareholder requesting information relating to the Company or its business should be forwarded to the Company's Chief Executive Officer or Chief Financial Officer, or his or her designee, for proper handling.

12. Use of Networks, Email and Other Internet Services

Unifi respects the individual privacy of its personnel, but these privacy rights do not supersede Unifi's policies for work-related conduct or restrictions on the use of Company property. The Company's computer networks, voice mail and e-mail systems, and Internet service systems are the property of the Company and are expected to be used primarily for job-related purposes. Unifi provides its employees access to such systems and services to help them do their work for Unifi. Incidental and occasional personal use is permitted, so long as such use does not interfere with Unifi's needs and operations; is not for personal gain or for any other improper purpose; and does not otherwise violate this Ethics Policy Statement. Unifi may, at any time and without notice, inspect and monitor the use of any and all such electronic resources.

Without limiting the foregoing, Unifi personnel are strictly forbidden from using the Company's computer and other electronic systems for the transmission of messages or other materials that may constitute harassment of another person. Examples include sexually explicit messages, cartoons, jokes, unwelcome propositions or love letters; ethnic or racial slurs; or anything else that could be construed as harassment that is prohibited by this Ethics Policy Statement.

All information that is created or stored on, or has passed through, Unifi's computer system or other equipment becomes property of Unifi. Although an employee may have an individual password to access Unifi's computer system and related equipment, the contents of e-mail communications and Internet activities are accessible by the Company at all times for any business purpose. While the Company permits incidental and occasional personal use, such messages and activity are treated the same as Company messages and activity. The encryption, labeling of an e-mail or document as private, deletion of an e-mail or document, or any other such action does not diminish Unifi's rights. Employees should never use any Unifi equipment to transmit a message or conduct activities that they would not want to be monitored by the Company. Unifi personnel have no right or expectation of privacy with regard to their use of Unifi's electronic resources.

13. Political Activities

Participation in the political process is a basic right and civic responsibility, which Unifi encourages its personnel to exercise. However, it is important to make a distinction between individual and Company political activities, in order to assure compliance with applicable laws and regulations.

Individual Political Activities - As an individual, a Unifi employee's participation in the political process includes activities such as serving in public office, voting, making financial contributions, working in support of candidates and political organizations, and the like. An employee's involvement in such activities should be completely voluntary.

Employees considering seeking public office should be aware of applicable Company personnel policies and should discuss the matter with their supervisor or manager and with the Company's Human Resources Department representative who has responsibility for the particular office location, and ultimate approval must be obtained from an executive officer or from a Vice President in the reporting chain of the employee's primary work department or area. To prevent a possible conflict of interests situation, and to help ensure compliance with applicable law, at **no** time should Unifi's name, information, property, time or other resources be used for an individual's political activities that are not specifically sponsored or approved by the Company.

Company Political Activities – As a general matter, federal law restricts Unifi engagement in many corporate-level political activities, expenditures or contributions. Unifi's policy is to comply with such legal requirements at all times. In any event, Unifi should not engage in corporate-level political activities unless the subject activity has been approved or authorized by the Board.

However, the Company may maintain a "separate segregated fund" (commonly referred to as a political action committee or "PAC") from which it may make political contributions using funds solicited from certain employees. Unifi has a PAC, and the PAC is required, as a part of this Ethics Policy Statement, to conduct its activities in strict compliance with applicable laws and regulations.

14. Reporting Suspected Violations

All Unifi personnel should promote ethical business conduct in accordance with this Ethics Policy Statement. In addition to encouraging other Company personnel to behave appropriately, and asking for guidance if they have a question or concern about their own proper conduct in a particular situation, all Company personnel are required to report any violation or suspected violation of this Ethics Policy Statement.

An employee may report any such matter to his or her supervisor or manager, an officer of the Company or the Corporate Compliance Officer. Any supervisor, manager or officer who receives such a report must promptly report it up-the-ladder to the Corporate Compliance Officer. A suspected violation report involving an executive officer or a director must be reported up-the-ladder to the Governance Committee of the Board. Any suspected violation report involving an accounting or financial records matter must also be reported up-the-ladder to the Audit Committee of the Board. The Corporate Compliance Officer shall ensure that the up-the-ladder reports are made promptly; and, if the Corporate Compliance Officer is not also the Company's General Counsel at the particular time, then he or she shall also promptly notify the General Counsel about any such suspected violation report.

As a general matter, Unifi would prefer that an employee identify himself or herself in making a suspected violation report, because that might facilitate Unifi's investigation of the matter being reported. **However, any employee may choose to remain anonymous, and Unifi respects any such decision.** Unifi shall use reasonable efforts to protect the identity of any person who makes a report; any retaliation or other reprisal for a report that is made in good faith will not be tolerated. Any Unifi personnel who engage in such retaliation or reprisal are subject to discipline themselves, up to and including termination; and, in appropriate cases, the person may also be subject to civil and/or criminal liability. Unifi shall also use reasonable efforts to protect the identity of the person about whom a suspected violation report is made, unless and until it is determined that a violation has occurred.

To facilitate reporting by personnel who want to remain anonymous, Unifi shall continue to maintain a Compliance Hotline that is available to all Unifi personnel around the world, 24 hours a day, seven days a week, and is equipped to handle the primary local language in the countries where Unifi operates. The Compliance Hotline shall continue to be staffed by an independent firm that is not affiliated with Unifi, and, to the extent consistent with applicable legal requirements, callers shall not be required to give their names. In all cases, employee privacy shall continue to be respected to the fullest extent possible under the law. The operator shall relay the information to the designee of the Office of Corporate Compliance, and shall provide the employee with a case number and callback date if desired.

The current Compliance Hotline is 1-800-514-5265 (for domestic calls in the U.S.). For calls from one of the Company’s current international locations, it is:

Location	Access Code (dial first)	Phone Number
Brazil	0800-890-0288 or 0800-888-8288	800-514-5265
El Salvador	800-1785	800-514-5265
Colombia	01-800-911-0011	800-514-5265
China	108-11 or 108-10 (Mandarin)	800-514-5265

Any use of these reporting procedures in bad faith or in a false or frivolous manner will be considered a violation of this Ethics Policy Statement. No person should use the Compliance Hotline for personal grievances that do not involve this Ethics Policy Statement.

15. Violations, Interpretations, Waivers and Other Administrative

Any person violating this Ethics Policy Statement shall be subject to discipline, which may include termination of any employee. In some circumstances, the Company may also have an obligation to notify appropriate law enforcement authorities, because some violations of this Ethics Policy Statement are also violations of law.

Interpretations - The Corporate Compliance Officer is responsible for interpreting and applying this Ethics Policy Statement to specific situations in which questions may arise. The Office of Corporate Compliance will maintain a record of interpretations issued under this Ethics Policy Statement, so that such interpretations can be consistent throughout the Company.

Requests for Waivers or Exceptions - If an exception is permitted to the application of a provision of this Ethics Policy Statement, any employee (other than an executive officer, who should follow the procedures below) who believes that an exception is appropriate in his or her situation should first contact his or her immediate supervisor or manager. If the immediate supervisor or manager agrees that an exception is appropriate, the approval of an executive officer, a Vice President in the reporting chain of the employee's primary work department or area, or the Corporate Compliance Officer must then be obtained. If the immediate supervisor or manager does not agree, the employee may nonetheless choose to seek an interpretation from an executive officer or such a Vice President or from the Corporate Compliance Officer. In any situation where the Corporate Compliance Officer is not involved in making the decision about a request for an exception, the Office of Corporate Compliance must nonetheless be informed about the request and its disposition. The Office of Corporate Compliance shall maintain a record of all requests (and the disposition thereof) for an exception to any provision of this Ethics Policy Statement.

Procedure for Executive Officers - Any violation of this Ethics Policy Statement by an executive officer shall be reported to the Audit Committee or the Governance Committee of the Board, depending upon which such committee the Board has delegated responsibility to handle such matters. Any request for a waiver of or exception from any provision of this Ethics Policy Statement by an executive officer shall be handled by the Audit Committee or the Governance Committee, as the case may be. A waiver for the benefit of an executive officer must be promptly disclosed in accordance with applicable law or stock exchange rules.

Distribution and Acknowledgement - All Company personnel shall be given a copy of this Ethics Policy Statement and shall be asked to sign a statement acknowledging that they have received and read it. (Every new employee must be given a copy of this Ethics Policy Statement, and asked to acknowledge receipt of it, not later than one week after being hired.) Changes or amendments to this Ethics Policy Statement must be provided to all Company personnel expeditiously. If there are interpretations of this Ethics Policy Statement that have broad application, they must also be distributed expeditiously to all Company personnel in an appropriate manner. (In all cases, the Company shall obtain a translation into other languages as necessary to ensure that all Company personnel are able to read the contents.)

Non-Exclusivity of Important Policies - The policies stated or reflected in this Ethics Policy Statement are *not* all of the relevant policies applicable to Unifi personnel, and this Ethics Policy Statement is *not* a complete explanation of the various Company policies, or the laws and regulations, that are applicable to the Company and its personnel. All Company personnel have a continuing obligation to familiarize themselves with applicable laws, regulations and Company policies that relate to their jobs or other responsibilities to Unifi.

16. Disclaimer of Employment Contract

Unless there is a written employment agreement between the Company and the employee (signed by a duly authorized executive officer), any employee is free to leave the employment of the Company, and the Company may terminate the employment of the employee, at any time and for any lawful reason. The Company's policy is to be an employment-at-will employer. Nothing contained in this Ethics Policy Statement (or in other publications of the Company) is intended to be, nor shall it be construed as, an employment agreement with any person.

UNIFI, INC.**Code of Business Conduct and Ethics**

(As Revised July 23, 2014)

1. Scope of Coverage

The Board of Directors (the “Board”) of Unifi, Inc. (the “Company”) has adopted this Code of Business Conduct and Ethics (the “Code of Ethics”) for the members of the Board and the executive officers of the Company (as defined in applicable regulations of the Securities and Exchange Commission, which includes the principal executive officer, principal financial officer and principal accounting officer of the Company). Each director and executive officer, and such other officers or key personnel as the Board may designate from time to time (each a “Covered Person” and, collectively, the “Covered Persons”), shall comply with this Code of Ethics.

Compliance with this Code of Ethics shall be in addition to, and not in lieu or in limitation of, the responsibility of all Company personnel (including Covered Persons) to comply with applicable policies of the Company, including those set forth in the Unifi, Inc. Ethical Business Conduct Policy Statement. This Code of Ethics extends to conduct by a Covered Person with respect to the operations and affairs of any subsidiary of the Company. For purposes of the latter, references herein to the Company shall be read to include subsidiaries of the Company, unless the context clearly indicates otherwise in light of the intent of the preceding sentence.

2. General Responsibilities and Reporting

If any Covered Person believes that a prohibited act under this Code of Ethics has occurred, then he or she shall promptly report such belief to the Chair of the Audit Committee and the Company’s Corporate Compliance Officer. (If the Corporate Compliance Officer is not the Company’s General Counsel, then any requirement under this Code of Ethics for communication to the Corporate Compliance Officer shall also require such communication to be made to the General Counsel.) While the above is the required and preferred reporting procedure, any director or executive officer should feel free to also report any such occurrence to the Chairman of the Board, the Board’s Lead Independent Director, or the Chair of the Corporate Governance and Nominating Committee (the “Governance Committee”).

On behalf of the Board, the Ethics Review Committee (as defined below) shall review and investigate any reported occurrence of a violation of this Code of Ethics, without the participation of any director who may be a subject of such report. (The Ethics Review Committee shall be the Audit Committee or, in the discretion of the independent members of the Board, the Governance Committee or such other appropriate committee as may be designated by the independent members of the Board.) If the Ethics Review Committee determines that any such occurrence represents a violation of this Code of Ethics, the Ethics Review Committee shall also determine whether (and if so, what) remedial or disciplinary action should be taken to address the situation appropriately. The Company shall disclose any such violation, and any remedial or disciplinary action taken, to the fullest extent required by federal securities or other applicable laws.

If the Ethics Review Committee determines that any such occurrence represents a violation under this Code of Ethics, but does not believe that any remedial or disciplinary action is necessary or advisable to address the situation appropriately (or if the Ethics Review Committee or the Board agrees to waive compliance with a provision of the Code of Ethics by any director or executive officer), the Company shall nonetheless promptly disclose the violation or waiver, as the case may be, along with the rationale for the above decision.

All Covered Persons are expected and required to provide full assistance and disclosure to the Board, the Ethics Review Committee, the Company and any authorized advisors of the Company in connection with any review of compliance with this Code of Ethics.

3. Conflicts of Interests

Every Covered Person has a duty to avoid business, financial or other direct or indirect interests or relationships that conflict with the interests of the Company or that divide or compromise his or her loyalty to the Company. A conflict (or the appearance of a conflict) of interests may arise in many ways. All Covered Persons must be vigilant and conscientious in all dealings in which they are involved (or have a personal interest otherwise) that could have an adverse effect on the Company or otherwise constitute a conflict of interests.

Each Covered Person should disclose to the Chair of the Audit Committee and the Corporate Compliance Officer any conflict (or appearance of a conflict) of interests on his or her part. Any activity or situation that presents (or even appears to present) a conflict of interests, or other division or compromise of loyalty to the Company, should be avoided or terminated unless, after such required disclosure, it is determined by the Ethics Review Committee or the Board that the activity is not harmful to the Company or otherwise improper. Even though the process of disclosure and consideration by the Company may lead to a determination that the subject relationship or transaction, despite its appearances, is not harmful to the Company and will be permitted, it is imperative to comply with the disclosure process.

4. Conduct of Business and Fair Dealing

Without limitation of any other provision of this Code of Ethics, no Covered Person shall engage in any of the following activities:

- compete with the Company by providing service to a competitor as an employee, officer or director or in a similar capacity;
- profit, or assist others to profit, from confidential information that is obtained in connection with the Covered Person's service to the Company;

- take personally any opportunity that is discovered through the use of Company property, information or position without first offering such opportunity to the Company;
- improperly influence or attempt to influence any business transaction between the Company and another entity in which the Covered Person has a direct or indirect financial interest or for which the Covered Person acts as an employee, officer or director or in a similar capacity; or
- take unfair advantage of any customer, supplier, competitor or other person doing business with the Company through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unfair-dealing practice.

5. Compliance with Laws and Regulations

Consistent with the Company's business philosophy, it is the Company's policy to comply with the laws of each country in which it or any of its subsidiaries does business. Each Covered Person shall comply with applicable laws, rules and regulations of any such country, and shall use all reasonable efforts to oversee compliance by other Company personnel, including other Covered Persons, with such applicable laws, rules and regulations.

6. Use of Non-Public Information and Disclosure

A Covered Person who knows information about the Company that is material and that has not been disclosed to the public must keep such information confidential. Among other things, it is a violation of United States law to purchase or sell the Company's securities on the basis of such non-public information. Covered Persons may not do so, and they may not provide such information to others for that or any other purpose.

A Covered Person also may not buy or sell securities of any other company using material non-public information about that other company that is obtained in the performance of his or her duties on behalf of the Company, and he or she may not provide any such information to others.

A Covered Person shall maintain the confidentiality of any non-public information about the Company that is learned in the performance of his or her duties on behalf of the Company, except when disclosure is legally authorized or mandated. Any question about the legal authority or requirement in the latter situation should be discussed with the General Counsel prior to disclosing such information.

7. Use of Company Funds, Assets and Information

Each Covered Person shall protect the Company's funds, assets and information, and shall not use the Company funds, assets or information to pursue personal opportunities or gain.

No Company funds, assets or information shall be used for any unlawful purpose.

8. Record-Keeping

The Company's policy is to make full, fair, accurate, timely and understandable disclosures in reports and documents that it releases to the public or files with regulatory authorities. To facilitate compliance with that policy, and to comply with applicable laws, rules and regulations relating to such matters, all transactions by the Company should be accurately reflected in the Company's books and records.

All books and records and bank accounts or other repositories of assets of the Company shall be subject to all normal accounting and auditing controls, and the falsification of any of the Company's books and records, or the maintenance of any secret bank accounts or repositories, is strictly prohibited. No Covered Person shall engage in any arrangement that results in any such prohibited act.

UNIFI, INC.
SUBSIDIARIES

Name	Address or Location	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 (“UH3”)	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	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
UnifiYams Mexico, S de RL de CV	Mexico City, Mexico	Mexico	99.99% - Unifi, Inc. .01% - UMI
Unifi Europe Limited	London, U.K.	England and Wales	100% - UH2
Repreve Renewables, LLC	Greensboro, NC	Delaware	60% - UH3

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, No. 333-156090, and No. 333-191870 on Forms S-8 and No. 333-140580 on Form S-3 of Unifi, Inc. and subsidiaries of our reports dated September 10, 2014, with respect to the consolidated balance sheets of Unifi, Inc. and subsidiaries as of June 29, 2014 and June 30, 2013, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended June 29, 2014, and the effectiveness of internal control over financial reporting as of June 29, 2014, which reports appear in the June 29, 2014 annual report on Form 10-K of Unifi, Inc.

/s/ KPMG LLP

Greensboro, North Carolina
September 10, 2014

**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: September 10, 2014

/s/ WILLIAM L. JASPER
William L. Jasper
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, James M. Otterberg, 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: September 10, 2014

/s/ JAMES M. OTTERBERG
James M. Otterberg
Vice President and Chief Financial Officer
(Principal Financial Officer)

**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 29, 2014 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: September 10, 2014

/s/ WILLIAM L. JASPER
William L. Jasper
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

**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 29, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Otterberg, 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: September 10, 2014

/s/ JAMES M. OTTERBERG
James M. Otterberg
Vice President and Chief Financial Officer
(Principal Financial Officer)

