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

FORM 10-Q

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

For the quarterly period ended December 27, 2009

OR

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

For the transition period from _____ to _____

Commission File Number: 1-10542

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

New York (State or other jurisdiction of incorporation or organization)	**11-2165495** (I.R.S. Employer Identification No.)
P.O. Box 19109 - 7201 West Friendly Avenue Greensboro, NC (Address of principal executive offices)	**27419** (Zip Code)

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

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 o

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

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

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The number of shares outstanding of the issuer's common stock, par value $.10 per share, as of February 2, 2010 was 60,172,300.

UNIFI, INC.
Form 10-Q for the Quarterly Period Ended December 27, 2009

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Part.1 Financial Information
Item.1 Financial Statements

UNIFI, INC.
Condensed Consolidated Balance Sheets
(Amounts in thousands)

	December 27, 2009 (Unaudited)	June 28, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,442	$ 42,659
Receivables, net	69,354	77,810
Inventories	103,012	89,665
Deferred income taxes	1,294	1,223
Assets held for sale	—	1,350
Restricted cash	3,609	6,477
Other current assets	5,887	5,464
Total current assets	237,598	224,648
Property, plant and equipment	746,341	744,253
Less accumulated depreciation	(589,817)	(583,610)
	156,524	160,643
Restricted cash	—	453
Intangible assets, net	15,821	17,603
Investments in unconsolidated affiliates	62,959	60,051
Other noncurrent assets	13,035	13,534
Total assets	$ 485,937	$ 476,932
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,619	$ 26,050
Accrued expenses	15,871	15,269
Income taxes payable	445	676
Current maturities of long-term debt and other current liabilities	3,977	6,845
Total current liabilities	47,912	48,840
Notes payable	178,722	179,222
Other long-term debt and liabilities	2,981	3,485
Deferred income taxes	371	416
Commitments and contingencies		
Shareholders' equity:		
Common stock	6,017	6,206
Capital in excess of par value	26,716	30,250
Retained earnings	209,940	205,498
Accumulated other comprehensive income	13,278	3,015
	255,951	244,969
Total liabilities and shareholders' equity	$ 485,937	$ 476,932

See accompanying notes to condensed consolidated financial statements.

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UNIFI, INC.
Condensed Consolidated Statements of Operations
(Unaudited) (Amounts in thousands, except per share data)

	For the Quarters Ended		For the Six-Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Summary of Operations:				
Net sales	$ 142,255	$ 125,727	$ 285,106	$ 294,736
Cost of sales	124,919	123,415	248,364	278,999
Write down of long-lived assets	—	—	100	—
Selling, general & administrative expenses	12,152	9,304	23,316	19,849
Provision (benefit) for bad debts	(564)	501	12	1,059
Other operating (income) expense, net	(109)	(5,212)	(196)	(5,773)
Non-operating (income) expense:				
Interest income	(834)	(680)	(1,580)	(1,593)
Interest expense	5,223	5,748	10,715	11,713
Gain on extinguishment of debt	—	—	(54)	—
Equity in earnings of unconsolidated affiliates	(1,609)	(162)	(3,672)	(3,644)
Write down of investment in unconsolidated affiliate	—	1,483	—	1,483
Income (loss) from continuing operations before income taxes	3,077	(8,670)	8,101	(7,357)
Provision for income taxes	1,124	614	3,659	2,499
Income (loss) from continuing operations	1,953	(9,284)	4,442	(9,856)
Income from discontinued operations — net of tax	—	216	—	112
Net income (loss)	$ 1,953	$ (9,068)	$ 4,442	$ (9,744)
Earnings (loss) per share from continuing operations and net income:				
Income (loss) per common share — basic	$ .03	$ (.15)	$ .07	$ (.16)
Income (loss) per common share — diluted	$ .03	$ (.15)	$ .07	$ (.16)

See accompanying notes to condensed consolidated financial statements.

UNIFI, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited) (Amounts in thousands)

	For the Six-Months Ended	
	December 27, 2009	December 28, 2008
Cash and cash equivalents at beginning of year	$ 42,659	$ 20,248
Operating activities:		
Net income (loss)	4,442	(9,744)
Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operating activities:		
Income from discontinued operations	—	(112)
Earnings of unconsolidated affiliates, net of distributions	(2,062)	(1,579)
Depreciation	11,563	15,832
Amortization	2,334	2,137
Stock-based compensation expense	1,273	622
Deferred compensation expense (recovery), net	343	(69)
Net gain on asset sales	(57)	(5,910)
Gain on extinguishment of debt	(54)	—
Write down of long-lived assets	100	—
Write down of investment in unconsolidated affiliate	—	1,483
Deferred income tax	(19)	35
Provision for bad debts	12	1,059
Other	301	256
Change in assets and liabilities, excluding effects of foreign currency adjustments	565	(11,962)
Net cash provided by (used in) continuing operating activities	18,741	(7,952)
Investing activities:		
Capital expenditures	(4,965)	(7,829)
Investment in joint venture	(550)	—
Acquisition of intangible asset	—	(500)
Change in restricted cash	4,158	10,118
Proceeds from sale of capital assets	1,358	6.950
Other	(79)	—
Net cash (used in) provided by investing activities	(78)	8,739
Financing activities:		
Payments of long-term debt	(4,594)	(20,578)
Borrowings of long-term debt	—	14,600
Proceeds from stock option exercises	—	3,830
Purchase and retirement of Company stock	(4,995)	—
Other	—	37
Net cash used in financing activities	(9,589)	(2,111)
Cash flows of discontinued operations:		
Operating cash flows	—	(162)
Effect of exchange rate changes on cash and cash equivalents	2,709	(6,143)
Net increase (decrease) in cash and cash equivalents	11,783	(7,629)
Cash and cash equivalents at end of period	$ 54,442	$ 12,619

See accompanying notes to condensed consolidated financial statements.

UNIFI, INC.
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The Condensed Consolidated Balance Sheet of Unifi, Inc. together with its subsidiaries (the "Company") at June 28, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by United States ("U.S.") generally accepted accounting principles ("GAAP") for complete financial statements. Except as noted with respect to the balance sheet at June 28, 2009, this information is unaudited and reflects all adjustments which are, in the opinion of management, necessary to present fairly the financial position at December 27, 2009, and the results of operations and cash flows for the periods ended December 27, 2009 and December 28, 2008. Such adjustments consisted of normal recurring items necessary for fair presentation in conformity with U.S. GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates. Interim results are not necessarily indicative of results for a full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2009. Certain prior period amounts have been reclassified to conform to current year presentation.

The significant accounting policies followed by the Company are presented on pages 74 to 80 of the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2009.

2. Inventories

Inventories are comprised of the following (amounts in thousands):

	December 27, 2009	June 28, 2009
Raw materials and supplies	$ 45,052	$ 42,351
Work in process	4,755	5,936
Finished goods	53,205	41,378
	$ 103,012	$ 89,665

3. Accrued Expenses

Accrued expenses are comprised of the following (amounts in thousands):

	December 27, 2009	June 28, 2009
Payroll and fringe benefits	$ 9,403	$ 6,957
Severance	977	1,385
Interest	2,471	2,496
Utilities	1,762	2,085
Retiree reserve	196	190
Property taxes	6	1,094
Other	1,056	1,062
	$ 15,871	$ 15,269

4. Earnings Per Common Share

The following table sets forth the reconciliation of basic and diluted per share computations (amounts in thousands, except per share data):

	For the Quarters Ended		For the Six-Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
Determination of shares:				
Weighted average common shares outstanding	61,498	62,030	61,778	61,582
Assumed conversion of dilutive stock options	286	—	143	—
Diluted weighted average common shares outstanding	61,784	62,030	61,921	61,582
Income (loss) per common share — basic	$ .03	$ (.15)	$ .07	$ (.16)
Income (loss) per common share — diluted	$ .03	$ (.15)	$ .07	$ (.16)

The number of options to purchase shares of common stock which were not included in the calculation of diluted per share amounts because they were anti-dilutive was 892,388 at December 27, 2009. For the quarter and year-to-date periods ended December 28, 2008, no options were included in the computation of diluted loss per share because the Company reported net losses from continuing operations.

5. Other Operating (Income) Expense, Net

The following table summarizes the Company's other operating (income) expense, net (amounts in thousands):

	For the Quarters Ended		For the Six-Months Ended	
	December 27, 2009	December 28, 2008	December 27, 2009	December 28, 2008
(Gain) loss on sale of fixed assets	$ 37	$ (5,594)	$ (57)	$ (5,910)
Currency (gains) losses	(133)	380	(120)	77
Other, net	(13)	2	(19)	60
Other operating (income) expense, net	$ (109)	$ (5,212)	$ (196)	$ (5,773)

6. Intangible Assets, Net

Other intangible assets subject to amortization consisted of customer relationships of $22.0 million and non-compete agreements of $4.0 million which were entered in connection with an asset acquisition consummated in fiscal year 2007. The customer list is being amortized in a manner which reflects the expected economic benefit that will be received over its thirteen year life. The non-compete agreement is being amortized using the straight-line method. The non-compete agreement had an original amortizable life of five years plus the term of the original Sales and Service Agreement (the "Agreement") with Dillon Yarn Company ("Dillon") which was two years as discussed in "Footnote 16. Related Party Transactions". The Agreement was extended for a one year period two times, effective as of January 1, 2009 and January 1, 2010. There are no estimated residual values related to these intangible assets. Accumulated amortization at December 27, 2009 and June 28, 2009 for these intangible assets was $10.3 million and $8.7 million, respectively. These intangible assets relate to the polyester segment.

In addition, the Company allocated $0.5 million to customer relationships arising from a transaction that closed in the second quarter of fiscal year 2009. This customer list is being amortized using the straight-line method over a period of one and a half years. Accumulated amortization at December 27, 2009 and June 28, 2009 was $0.3 million and $0.2 million, respectively. These intangible assets relate to the polyester segment.

The following table represents the expected intangible asset amortization for the next five fiscal years (amounts in thousands):

	Aggregate Amortization Expenses				
	2011	2012	2013	2014	2015
Customer lists	$ 2,173	$ 2,022	$ 1,837	$ 1,481	$ 1,215
Non-compete contract	381	381	381	381	381
	$ 2,554	$ 2,403	$ 2,218	$ 1,862	$ 1,596

7. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168 "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles", a replacement of SFAS 162, "The Hierarchy of Generally Accepted Accounting Principles". The statement was effective for all financial statements issued for interim and annual periods ending after September 15, 2009. On June 30, 2009 the FASB issued its first Accounting Standard Update ("ASU") No. 2009-01 "Topic 105 — Generally Accepted Accounting Principles amendments based on No. 168 the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". Accounting Standards Codification ("ASC") 105-10 establishes a single source of GAAP which is to be applied by nongovernmental entities. All guidance contained in the ASC carries an equal level of authority; however there are standards that will remain authoritative until such time that each is integrated into the ASC. The Securities and Exchange Commission ("SEC") also issues rules and interpretive releases that are also sources of authoritative GAAP for publicly traded registrants. The ASC superseded all existing non-SEC accounting and reporting standards. All non-grandfathered accounting literature not included in the ASC will be considered non-authoritative.

Effective June 29, 2009, the Company adopted ASC 805-20, "Business Combinations — Identifiable Assets, Liabilities and Any Non-Controlling Interest" ("ASC 805-20"). ASC 805-20 amends and clarifies ASC 805 which requires that the acquisition method of accounting, instead of the purchase method, be applied to all business combinations and that an "acquirer" is identified in the process. The guidance requires that fair market value be used to recognize assets and assumed liabilities instead of the cost allocation method where the costs of an acquisition are allocated to individual assets based on their estimated fair values. Goodwill would be calculated as the excess purchase price over the fair value of the assets acquired; however, negative goodwill will be recognized immediately as a gain instead of being allocated to individual assets acquired. Costs of the acquisition will be recognized separately from the business combination. The end result is that the statement improves the comparability, relevance and completeness of assets acquired and liabilities assumed in a business combination. The adoption of this guidance had no material effect on the Company's financial statements.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements", ("ASU 2009-13") and ASU No. 2009-14, "Certain Arrangements That Include Software Elements", ("ASU 2009-14"). ASU 2009-13 requires entities to allocate revenues in the absence of vendor-specific objective evidence or third party evidence of selling price for deliverables using a selling price hierarchy associated with the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect that the adoption of ASU 2009-13 or ASU 2009-14 will have a material impact on the Company's consolidated results of operations or financial condition.

In December 2009, the FASB issued ASU No. 2009-16, "Transfers and Servicing (Topic 860): Accounting for the Transfers of Financial Assets" which amends the ASC to include SFAS No.166, "Accounting for Transfers of Financial Assets — an Amendment of FASB Statement No. 140". SFAS No. 166 revised SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities — a Replacement of FASB Statement No. 125" requiring additional disclosures about transfers of financial assets, including securitization transactions, and any continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a "qualifying special-purpose entity", changes the requirements for derecognizing financial assets, and enhances disclosure requirements. ASU No. 2009-16 is effective prospectively, for annual periods beginning after November 15, 2009, and interim and annual periods thereafter. The Company does not expect the adoption of this guidance will have a material impact on its financial position or results of operations.

In December 2009, the FASB issued ASU No. 2009-17, "Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" which amends the ASC to include SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)". The amendment requires an analysis be performed to determine whether a company has a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has the power to direct the activities of a variable interest entity. The statement requires an ongoing assessment of whether a company is the primary beneficiary of a variable interest entity when the holders of the entity, as a group, lose power, through voting or similar rights, to direct the actions that most significantly affect the entity's economic performance. This statement also enhances disclosures about a company's involvement in variable interest entities. ASU No. 2009-17 is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. The Company does not expect the adoption of this guidance will have a material impact on its financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-01, "Equity (Topic 505) Accounting for Distributions to Shareholders with Components of Stock and Cash" which clarifies that the stock portion of a distribution to shareholders that allow them to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend. This update is effective for the Company's interim period ended December 27, 2009. The adoption of ASU No. 2010-01 did not have a material impact on the Company's consolidated financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-02, "Consolidation (Topic 810) Accounting and Reporting for Decreases in Ownership of a Subsidiary — a Scope Clarification". ASU 2010-02 clarifies Topic 810 implementation issues relating to a decrease in ownership of a subsidiary that is a business or non-profit activity. This amendment affects entities that have previously adopted Topic 810-10 (formally SFAS 160). This update is effective for the Company's interim period ended December 27, 2009. The adoption of ASU No. 2010-02 did not have a material impact on the Company's consolidated financial position or results of operations.

8. Comprehensive Income (Loss)

Comprehensive income amounted to $3.8 million and $14.7 million for the second quarter and year-to-date periods of fiscal year 2010, respectively, compared to comprehensive losses of $23.2 million and $39.7 million for the second quarter and the year-to-date periods of fiscal year 2009. Comprehensive income is comprised of net income of $2.0 million and $4.4 million for the second quarter and year-to-date periods of fiscal year 2010, respectively, and positive translation adjustments of $1.8 million and $10.3 million, respectively. Comparatively, comprehensive losses were comprised of net losses of $9.1 million and $9.7 million for the second quarter and year-to-date periods of fiscal year 2009, respectively, and negative translation adjustments of $14.1 million and $30.0 million, respectively. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

9. Investments in Unconsolidated Affiliates

The following table represents the Company's investments in unconsolidated affiliates:

Affiliate Name	Date Acquired	Location	Percent Ownership
Parkdale America, LLC ("PAL")	Jun-97	North and South Carolina	34%
U.N.F. Industries, LLC ("UNF")	Sep-00	Migdal Ha — Emek, Israel	50%
UNF America, LLC ("UNF America")	Oct-09	Ridgeway, Virginia	50%
Yihua Unifi Fibre Company Limited ("YUFI") (1)	Aug-05	Yizheng, Jiangsu Province, People's Republic of China	50%

(1) The Company completed the sale of YUFI during the fourth quarter of fiscal year 2009.

Condensed balance sheet information as of December 27, 2009 and June 28, 2009, and income statement information for the quarter and year-to-date periods ended December 27, 2009 and December 28, 2008, of the combined unconsolidated equity affiliates are as follows (amounts in thousands):

	As of December 27, 2009	As of June 28, 2009
Current assets	$167,531	$152,288
Noncurrent assets	112,910	101,893
Current liabilities	32,160	22,834
Noncurrent liabilities	15,245	4,294
Shareholders' equity and capital accounts	233,036	227,053

	For the Quarters Ended	
	December 27, 2009	December 28, 2008
Net sales	$117,766	$134,687
Gross profit	16,294	3,420
Depreciation and amortization	6,621	7,246
Income (loss) from operations	12,277	(1,611)
Net income (loss)	11,027	(2,423)

	For the Six-Months Ended	
	December 27, 2009	December 28, 2008
Net sales	$217,212	$302,543
Gross profit	24,703	6,830
Depreciation and amortization	11,647	13,572
Income (loss) from operations	17,442	(3,540)
Net income	18,299	1,963

PAL receives benefits under the Food, Conservation, and Energy Act of 2008 (“2008 U.S. Farm Bill”) which extended the existing upland cotton and extra long staple cotton programs, including economic adjustment assistance provisions for ten years. Beginning August 1, 2008, the program provided textile mills a subsidy of four cents per pound on eligible upland cotton consumed during the first four years and three cents per pound for the last six years. 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. Capital expenditures must be directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the U.S. The recipients have the marketing year from August 1 to July 31, plus eighteen months to make the capital expenditures. In the period when both criteria have been met; eligible upland cotton has been consumed, and qualifying capital expenditures under the program have been made; the economic assistance is recognized by PAL as reductions to cost of sales. PAL received economic assistance under the program of $14.0 million during the eleven months ended June 28, 2009 and, in accordance with the program provisions, recognized $9.7 million as reductions to costs of sales of which the Company’s share was $3.3 million.

On October 19, 2009 PAL notified the Company that approximately $8.0 million of the capital expenditures recognized for fiscal year 2009 had been preliminarily disqualified by the U.S. Department of Agriculture (“USDA”). PAL appealed the decision with the USDA. In November 2009, PAL notified the Company that the USDA had denied the appeal. PAL has filed a second appeal at a higher level and a hearing is scheduled during the Company’s third quarter of fiscal year 2010. In the event that PAL’s appeal is unsuccessful, PAL may be required to adjust its prior period earnings which the Company believes would not materially impact its results of operations. From a cash perspective, PAL has informed the Company that it expects there will be sufficient future qualifying capital expenditures to recapture any lost benefit after the appeal process has been completed.

The Company’s investment in PAL at December 27, 2009 was $59.6 million and the underlying equity in the net assets of PAL at December 27, 2009 was $77.4 million. The difference between the carrying value of the Company’s investment in PAL and the underlying equity in PAL is attributable to initial excess capital contributions by the Company of $53.4 million, settlement cost of an anti-trust lawsuit against PAL in which the Company did not participate of $2.6 million, net income adjustments of $0.3 million related to the expected disallowed expenditures for the cotton rebate program and other comprehensive income of $0.1 million offset by $74.1 million of investment impairment charges.

On October 8, 2009, a wholly-owned foreign subsidiary of the Company formed a new joint venture, UNF America, with its partner, Nilit Ltd. (“Nilit”), for the purpose of producing nylon POY in Nilit’s Ridgeway, Virginia plant. This new joint venture will allow UNF America to produce Berry Amendment and North American Free Trade Agreement (“NAFTA”) compliant yarns which UNF was not able to produce under the product origination requirements of these trade agreements. The new joint venture will also shorten the Company’s supply chain resulting in expected improvements in the Company’s working capital, flexibility of the Company’s product offerings and the financial performance of the Company’s investments in equity affiliates.

The Company's initial investment in UNF America was fifty thousand dollars. In addition, the Company loaned UNF America $0.5 million for working capital. The loan carries interest at LIBOR plus one and one-half percent and both principal and interest shall be paid from the future profits of UNF America at such time as deemed appropriate by its members. The loan is being treated as an additional investment by the Company for accounting purposes.

In August 2005, the Company formed YUFI, a 50/50 joint venture with Sinopec Yizheng Chemical Fiber Co., Ltd, ("YCFC"), to manufacture process and market polyester filament yarn in YCFC's facilities in Yizheng, Jiangsu Province, People's Republic of China ("China"). During fiscal year 2008, the Company's management explored strategic options with its joint venture partner in China with the ultimate goal of determining if there was a viable path to profitability for YUFI. The Company's management concluded that although YUFI had successfully grown its position in high value and premier value-added ("PVA") products, commodity sales would continue to be a large and unprofitable portion of the joint venture's business. In addition, the Company believed YUFI had focused too much attention and energy on non-value added issues, distracting management from its primary PVA objectives. Based on these conclusions, the Company decided to exit the joint venture and on July 30, 2008, the Company announced that it had reached a proposed agreement to sell its 50% interest in YUFI to its partner for $10.0 million.

As a result of the agreement with YCFC, the Company initiated a review of the carrying value of its investment in YUFI and determined that the carrying value of its investment in YUFI exceeded its fair value. Accordingly, the Company recorded a non-cash impairment charge of $6.4 million in the fourth quarter of fiscal year 2008.

The Company expected to close the transaction in the second quarter of fiscal year 2009 pending negotiation and execution of definitive agreements and Chinese regulatory approvals. The agreement provided for YCFC to immediately take over operating control of YUFI, regardless of the timing of the final approvals and closure of the equity sale transaction. During the first quarter of fiscal year 2009, the Company gave up one of its senior staff appointees and YCFC appointed its own designee as General Manager of YUFI, who assumed full responsibility for the operating activities of YUFI at that time. As a result, the Company lost its ability to influence the operations of YUFI and therefore the Company ceased recording its share of losses commencing in the same quarter.

In December 2008, the Company renegotiated the proposed agreement to sell its interest in YUFI to YCFC for $9.0 million and recorded an additional impairment charge of $1.5 million, which included approximately $0.5 million related to certain disputed accounts receivable and $1.0 million related to the fair value of its investment, as determined by the re-negotiated equity interest sales price, which was lower than carrying value.

On March 30, 2009, the Company closed on the sale and received $9.0 million in proceeds related to its investment in YUFI. The Company continues to service customers in Asia through Unifi Textiles Suzhou Co., Ltd. ("UTSC"), a wholly-owned subsidiary based in Suzhou, China, that is focused on the development, sales and service of PVA yarns.

10. Income Taxes

The Company's income tax provision for the quarter ended December 27, 2009 resulted in tax expense at an effective rate of 36.5% compared to the quarter ended December 28, 2008 which resulted in tax expense at an effective rate of 7.1%. The Company's income tax provision for the year-to-date period ended December 27, 2009 resulted in tax expense at an effective rate of 45.2% compared to the year-to-date period ended December 28, 2008 which resulted in tax expense at an effective rate of 33.5%.

The differences between the Company's income tax expense and the U.S. statutory rate for the quarter and year-to-date period ended December 27, 2009 was primarily due to losses in the U.S. and other jurisdictions for which no tax benefit could be recognized while operating profit was generated in other taxable jurisdictions. The difference between the Company's income tax expense and the U.S. statutory rate for the quarter and year-to-date period ended December 28, 2008 were primarily attributable to state income tax benefits, foreign income taxed at rates less than the U.S. statutory rate and an increase in the valuation allowance.

Deferred income taxes have been provided for the temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. The valuation allowance on the Company's net domestic deferred tax assets is reviewed quarterly and will be maintained until sufficient positive evidence exists to support the reversal of the valuation allowance. In addition, until such time that the Company determines it is more likely than not that it will generate sufficient taxable income to realize its deferred tax assets, income tax benefits associated with future period losses will be fully reserved. The valuation allowance decreased $1.5 million and increased $0.7 million in the quarter and year-to-date period ended December 27, 2009, respectively, compared to increases of $3.5 million and $4.1 million in the quarter and year-to-date period ended December 28, 2008, respectively. The net increase in the valuation allowance for the year-to-date period ended December 27, 2009 primarily consists of a $0.3 million decrease in the net operating loss generated in the period, and an increase of $1.0 million related to other temporary differences.

The Company believes it is reasonably possible unrecognized tax benefits will decrease by approximately $1.2 million by the end of fiscal year 2010 as a result of expiring tax credit carry forwards.

The Company has elected to classify interest and penalties recognized as income tax expense. The Company did not accrue interest or penalties related to uncertain tax positions during fiscal year 2009 or during the quarter or year-to-date period ended December 27, 2009.

The Company is subject to income tax examinations for U.S. federal income taxes for fiscal years 2004 through 2009, for non-U.S. income taxes for tax years 2001 through 2009, and for state and local income taxes for fiscal years 2001 through 2009.

11. Stock-Based Compensation

On October 29, 2008, the shareholders of the Company approved the 2008 Unifi, Inc. Long-Term Incentive Plan ("2008 Long-Term Incentive Plan"). The 2008 Long-Term Incentive Plan authorized the issuance of up to 6,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including Incentive Stock Options ("ISO"), Non-Qualified Stock Options ("NQSO") and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock. Option awards are granted with an exercise price not less than the market price of the Company's stock at the date of grant.

During the second quarter of fiscal year 2009, the Compensation Committee ("Committee") of the Board of Directors ("Board") authorized the issuance of 280,000 stock options from the 2008 Long-Term Incentive Plan to certain key employees. The stock options are subject to a market condition which vests the options on the date that the closing price of the Company's common stock shall have been at least $6.00 per share for thirty consecutive trading days. The exercise price is $4.16 per share which is equal to the market price of the Company's stock on the grant date. The Company used a Monte Carlo stock option model to estimate the fair value of $2.49 per share and the derived vesting period of 1.2 years.

During the first quarter of fiscal year 2010, the Committee authorized the issuance of 1,700,000 stock options from the 2008 Long-Term Incentive Plan to certain key employees and certain members of the Board. The stock options vest ratably over a three year period and have 10-year contractual terms. The Company used the Black-Scholes model to estimate the fair values of the options granted. The following table provides detail of the number of options granted during the first quarter of fiscal year 2010 and the related assumptions used in the valuation of these awards:

Options granted	Expected term (years)	Exercise price	Interest rate	Volatility	Dividend yield	Fair value
1,660,000	5.5	$1.91	2.8%	63.6%	—	$1.10
40,000	5.5	$2.86	2.5%	63.9%	—	$1.65

The Company incurred $0.7 million and $0.3 million in the second quarter of fiscal years 2010 and 2009 respectively, and $1.3 million and $0.6 million for the year-to-date periods, respectively, in stock-based compensation charges which were recorded as selling, general and administrative ("SG&A") expenses with the offset to capital in excess of par value.

The Company issued 100,000 shares of common stock and 1,368,300 shares of common stock during the second quarter and year-to-date periods of fiscal year 2009, respectively, as a result of the exercise of stock options. There were no options exercised during the second quarter or the year-to-date period of fiscal year 2010.

12. Assets Held for Sale

The Company had assets held for sale related to the consolidation of its polyester manufacturing capacity that are comprised of the remaining assets and structures in Kinston, North Carolina ("Kinston"). As of June 28, 2009, the value of the machinery and equipment held for sale was $1.4 million.

During the first quarter of fiscal year 2010, the Company entered into a contract to sell certain of the assets held for sale and based on the contract price, the Company recorded a $0.1 million non-cash impairment charge in the first quarter of fiscal year 2010. The sale closed during the second quarter of fiscal year 2010. The remaining assets and structures at the Kinston facility have no net book value and will be conveyed back to E.I. DuPont de Nemours ("DuPont") if the Company is unable to sell the assets by March 20, 2010.

13. Severance and Restructuring Charges

Severance

The Company recorded severance expense of $2.4 million for its former President and Chief Executive Officer ("CEO") during the first quarter of fiscal year 2008 and $1.7 million of severance expense related to its former Chief Financial Officer during the second quarter of fiscal year 2008.

In the third quarter of fiscal year 2009, the Company reorganized, reducing its workforce due to the economic downturn. Approximately 200 salaried and wage employees were affected by this reorganization related to the Company's efforts to reduce costs. As a result, the Company recorded $0.3 million in severance charges related to certain allocated salaried corporate and manufacturing support staff.

The table below summarizes changes to the accrued severance account for the six-month period ended December 27, 2009 (amounts in thousands):

	Balance at June 28, 2009	Charges	Adjustments	Amounts Used	Balance at December 27, 2009
Accrued severance	$1,687(1)	—	20	(730)	$977

(1) As of June 28, 2009, the Company classified $0.3 million of executive severance as long-term.

14. Derivatives and Fair Value Measurements

The Company accounts for derivative contracts and hedging activities at fair value. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or are recorded in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company does not enter into derivative financial instruments for trading purposes nor is it a party to any leveraged financial instruments.

The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded and the dates they are consummated. The Company utilizes some natural hedging to mitigate these transaction exposures. The Company primarily enters into foreign currency forward contracts for the purchase and sale of European, North American and Brazilian currencies to use as economic hedges against balance sheet and income statement currency exposures. These contracts are principally entered into for the purchase of inventory and equipment and the sale of Company products into export markets. Counter-parties for these instruments are major financial institutions.

Currency forward contracts are used to hedge exposure for sales in foreign currencies based on specific sales made to customers. Generally, 60-75% of the sales value of these orders is covered by forward contracts. Maturity dates of the forward contracts are intended to match anticipated receivable collections. The Company marks the forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other operating (income) expense. The Company also enters currency forward contracts for committed inventory purchases made by its Brazilian subsidiary. Generally up to 5% of these inventory purchases are covered by forward contracts although 100% of the cost may be covered by individual contracts in certain instances. As of December 27, 2009, the Brazilian subsidiary's currency risk was minimal and therefore no forward contracts were deemed necessary. The latest maturity for all outstanding foreign currency sales contracts is March 2010.

There is now a common definition of fair value used and a hierarchy for fair value measurements based on the type of inputs that are used to value the assets or liabilities at fair value.

The levels of the fair value hierarchy are:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date,
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, or
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below (amounts in thousands):

	December 27, 2009	June 28, 2009
	Level 2	Level 2
Foreign currency purchase contracts:		
Notional amount	$ —	$ 110
Fair value	—	130
Net gain	$ —	$ (20)
Foreign currency sales contracts:		
Notional amount	$ 1,783	$ 1,121
Fair value	1,828	1,167
Net loss	$ (45)	$ (46)

The fair values of the foreign exchange forward contracts at the respective quarter-end dates are based on discounted quarter-end forward currency rates. The total impact of foreign currency related items that are reported on the line item other operating (income) expense, net in the Consolidated Statements of Operations, including transactions that were hedged and those unrelated to hedging, was a pre-tax gain of $0.1 million for the quarter ended December 27, 2009 and a pre-tax loss of $0.4 million for the quarter ended December 28, 2008. For the year-to-date periods ended December 27, 2009 and December 28, 2008, the total impact of foreign currency related items resulted in a pre-tax gain of $0.1 million and a pre-tax loss of $0.1 million, respectively.

The Company calculates the fair value of its 11.5% senior secured notes, which mature on May 15, 2014 (the "2014 notes") based on the traded price of the notes on the latest trade date prior to its period end. These are considered Level 1 inputs in the fair value hierarchy. The following table shows the fair values at December 27, 2009 and June 28, 2009 which were calculated based on the latest trade price on December 17, 2009 and June 19, 2009, respectively (amounts in thousands):

	December 27, 2009		June 28, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2014 Notes Payable	$ 178,722	$ 170,680	$ 179,222	$ 112,910

15. Contingencies

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

16. Related Party Transactions

In fiscal 2007, the Company purchased the polyester and nylon texturing operations of Dillon (the "Transaction"). In connection with the Transaction the Company and Dillon entered into the Agreement for a term of two years from January 1, 2007, pursuant to which the Company agreed to pay Dillon for certain sales and transitional services to be provided by Dillon's sales staff and executive management. On December 1, 2008, the Company entered into an agreement to extend the polyester services portion of the Agreement for a term of one year effective January 1, 2009 pursuant to which the Company agreed to pay Dillon an aggregate amount of $1.7 million. The Company recorded $0.4 million and $0.3 million of SG&A expense for the second quarter of fiscal years 2010 and 2009, respectively, and $0.9 million and $0.5 million for the year-to-date periods of fiscal year 2010 and 2009, respectively, related to this contract and the related amendment.

On December 11, 2009, the Company and Dillon entered into a Second Amendment (the "Amendment") to the Agreement. The Amendment provides that effective January 1, 2010, the term of the Agreement will be extended for a one year term which will expire on December 31, 2010 pursuant to which the Company will pay Dillon an aggregate amount of $1.3 million. Mr. Stephen Wener is the President and CEO of Dillon. Mr. Wener is Chairman of the Company's Board of Directors ("Board") and has been a member of the Board since May 24, 2007. The terms of the Company's Agreement with Dillon are, in management's opinion, no less favorable than the Company would have been able to negotiate with an independent third party for similar services.

On November 25, 2009, the Company entered into a stock purchase agreement with Invemed Catalyst Fund. L.P. (the "Fund"). Pursuant to the stock purchase agreement, the Company agreed to purchase 1,885,000 shares of its common stock from the Fund for an aggregate purchase price of $5.0 million. The Company and the Fund negotiated the per share purchase price of $2.65 per share based on an approximately 10% discount to the closing price of the Company's common stock on November 24, 2009.

Mr. Kenneth G. Langone, a member of the Company's board of directors, is the principal stockholder and CEO of Invemed Securities, Inc., which is a managing member of Invemed Catalyst Gen Par, LLC, the general partner of the Fund. Mr. William M. Sams, another member of the Company's board of directors, is a limited partner of the Fund. Neither Mr. Langone nor Mr. Sams was involved in any decisions by the board of directors of the Company or any committee thereof with respect to this stock purchase transaction. Following the purchase, Mr. Langone continued to beneficially own 1,757,900 shares of the Company's common stock, or 2.9% of the total outstanding shares, and Mr. Sams continued to beneficially own 5,420,000 shares of the Company's common stock, or 9.0% of the total outstanding shares of the Company's common stock.

17. Segment Disclosures

The following is the Company's segment information for the quarters and six-month period ended December 27, 2009 and December 28, 2008 (amounts in thousands):

	Polyester	Nylon	Total
Quarter ended December 27, 2009:			
Net sales to external customers	$ 104,303	$ 37,952	$ 142,255
Inter-segment net sales	—	—	—
Depreciation and amortization	5,750	862	6,612
Segment operating profit	2,924	2,260	5,184
Total segment assets	322,232	75,462	397,694
Quarter ended December 28, 2008:			
Net sales to external customers	$ 93,984	$ 31,743	$ 125,727
Inter-segment net sales	—	—	—
Depreciation and amortization	5,684	1,912	7,596
Segment operating loss	(6,735)	(257)	(6,992)
Total segment assets	332,994	84,505	417,499

The following table provides reconciliations from segment data to consolidated reporting data (amounts in thousands):

	For the Quarters Ended	
	December 27, 2009	December 28, 2008
Depreciation and amortization:		
Depreciation and amortization of specific reportable segment assets	$ 6,612	$ 7,596
Depreciation included in other operating (income) expense, net	36	36
Amortization included in interest expense, net	276	289
Consolidated depreciation and amortization	$ 6,924	$ 7,921
Reconciliation of segment operating income (loss) to income (loss) from continuing operations before income taxes:		
Reportable segments operating income (loss)	$ 5,184	$ (6,992)
Provision (benefit) for bad debts	(564)	501
Other operating (income) expense, net	(109)	(5,212)
Interest expense, net	4,389	5,068
Equity in earnings of unconsolidated affiliates	(1,609)	(162)
Write down of investment in unconsolidated affiliate	—	1,483
Income (loss) from continuing operations before income taxes	$ 3,077	$ (8,670)

	Polyester	Nylon	Total
Six-Months ended December 27, 2009:			
Net sales to external customers	$ 208,763	$ 76,343	$ 285,106
Intersegment net sales	—	—	—
Depreciation and amortization	11,518	1,755	13,273
Segment operating profit	7,795	5,531	13,326
Six-Months ended December 28, 2008:			
Net sales to external customers	$ 216,963	$ 77,773	$ 294,736
Intersegment net sales	—	71	71
Depreciation and amortization	12,973	4,346	17,319
Segment operating profit (loss)	(6,925)	2,813	(4,112)

The following table provides reconciliations from segment data to consolidated reporting data (amounts in thousands):

	For the Six-Months Ended December 27, 2009	For the Six-Months Ended December 28, 2008
Depreciation and amortization:		
Depreciation and amortization of specific reportable segment assets	$ 13,273	$ 17,319
Depreciation included in other operating (income) expense, net	71	71
Amortization included in interest expense, net	553	579
Consolidated depreciation and amortization	$ 13,897	$ 17,969
Reconciliation of segment operating income (loss) to income (loss) from continuing operations before income taxes:		
Reportable segments operating income (loss)	$ 13,326	$ (4,112)
Provision for bad debts	12	1,059
Other operating (income) expense, net	(196)	(5,773)
Interest expense, net	9,135	10,120
Gain on extinguishment of debt	(54)	—
Equity in earnings of unconsolidated affiliates	(3,672)	(3,644)
Write down of investment in unconsolidated affiliate	—	1,483
Income (loss) from continuing operations before income taxes	$ 8,101	$ (7,357)

For purposes of internal management reporting, segment operating profit (loss) represents segment net sales less cost of sales, segment restructuring charges, segment impairments of long-lived assets, and allocated SG&A expenses. Certain non-segment manufacturing and unallocated SG&A costs are allocated to the operating segments based on activity drivers relevant to the respective costs. This allocation methodology is updated as part of the annual budgeting process.

The primary differences between the segmented financial information of the operating segments, as reported to management and the Company's consolidated reporting relate to the provision for bad debts, other operating (income) expense, net and equity in earnings of unconsolidated affiliates and related impairments.

Segment operating profit (loss) excludes the benefit for bad debts of $0.6 million and a provision of $0.5 million for the current and prior year second quarter periods, respectively, and a provision of twelve thousand dollars and $1.1 million for the current and prior year-to-date periods, respectively.

The total assets for the polyester segment increased from $314.6 million at June 28, 2009 to $322.2 million at December 27, 2009 primarily due to increases in cash, inventory, and deferred taxes of $13.5 million, $10.3 million, and $0.1 million, respectively. These increases were offset by decreases in accounts receivable, short-term restricted cash, property, plant, and equipment, other long-term assets, other current assets and long-term restricted cash of $7.7 million, $2.9 million, $2.6 million, $1.7 million, $0.9 million, and $0.5 million, respectively. The total assets for the nylon segment increased from $75.0 million at June 28, 2009 to $75.5 million at December 27, 2009 primarily due to increases in inventory and cash of $3.4 million and $0.3 million, respectively. These increases were offset by decreases in accounts receivable and property, plant, and equipment of $2.1 million and $1.1 million, respectively.

18. Subsequent Events

The Company evaluated all events and material transactions for potential recognition or disclosure through such time as these statements were filed with the SEC on February 5, 2010 and has determined there were no items deemed reportable.

19. Condensed Consolidated Guarantor and Non-Guarantor Financial Statements

The guarantor subsidiaries presented below represent the Company’s subsidiaries that are subject to the terms and conditions outlined in the indenture governing the Company’s issuance of the 2014 notes and the guarantees, jointly and severally, on a senior secured basis. The non-guarantor subsidiaries presented below represent the foreign subsidiaries which do not guarantee the notes. Each subsidiary guarantor is 100% owned, directly or indirectly, by Unifi, Inc. and all guarantees are full and unconditional.

Supplemental financial information for the Company and its guarantor subsidiaries and non-guarantor subsidiaries of the 2014 notes is presented below.

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet Information as of December 27, 2009 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11,940	$ (3,266)	$ 45,768	$ —	$ 54,442
Receivables, net	—	50,830	18,524	—	69,354
Inventories	—	72,077	32,609	(1,674)	103,012
Deferred income taxes	—	—	1,294	—	1,294
Restricted cash	—	—	3,609	—	3,609
Other current assets	75	1,701	4,111	—	5,887
Total current assets	12,015	121,342	105,915	(1,674)	237,598
Property, plant and equipment	11,348	660,266	74,727	—	746,341
Less accumulated depreciation	(2,042)	(534,582)	(53,193)	—	(589,817)
	9,306	125,684	21,534	—	156,524
Intangible assets, net	—	15,821	—	—	15,821
Investments in unconsolidated affiliates	—	59,572	3,387	—	62,959
Investments in consolidated subsidiaries	412,505	—	—	(412,505)	—
Other noncurrent assets	3,984	12,857	(3,806)	—	13,035
	$ 437,810	$ 335,276	$ 127,030	$ (414,179)	$ 485,937
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 49	$ 22,611	$ 4,959	$ —	$ 27,619
Accrued expenses	2,708	10,708	2,455	—	15,871
Income taxes payable	380	—	65	—	445
Current maturities of long-term debt and other current liabilities	—	368	3,609	—	3,977
Total current liabilities	3,137	33,687	11,088	—	47,912
Long-term debt and other liabilities	178,722	2,981	—	—	181,703
Deferred income taxes	—	—	371	—	371
Shareholders'/ invested equity	255,951	298,608	115,571		255,951
	$ 437,810	$ 335,276	$ 127,030	$ (414,179)	$ 485,937

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Balance Sheet Information as of June 28, 2009 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11,509	$ (813)	$ 31,963	$ —	$ 42,659
Receivables, net	100	56,031	21,679	—	77,810
Inventories	—	63,919	25,746	—	89,665
Deferred income taxes	—	—	1,223	—	1,223
Assets held for sale	—	1,350	—	—	1,350
Restricted cash	—	—	6,477	—	6,477
Other current assets	46	2,199	3,219	—	5,464
Total current assets	11,655	122,686	90,307	—	224,648
Property, plant and equipment	11,336	665,724	67,193	—	744,253
Less accumulated depreciation	(1,899)	(534,297)	(47,414)	—	(583,610)
	9,437	131,427	19,779	—	160,643
Restricted cash	—	—	453	—	453
Intangible assets, net	—	17,603	—	—	17,603
Investments in unconsolidated affiliates	—	57,107	2,944	—	60,051
Investments in consolidated subsidiaries	360,897	—	—	(360,897)	—
Other noncurrent assets	45,041	(29,214)	(2,293)	—	13,534
	$ 427,030	$ 299,609	$ 111,190	$ (360,897)	$ 476,932
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 37	$ 19,888	$ 6,125	$ —	$ 26,050
Accrued expenses	1,690	11,033	2,546	—	15,269
Income taxes payable	—	—	676	—	676
Current maturities of long-term debt and other current Liabilities	—	368	6,477	—	6,845
Total current liabilities	1,727	31,289	15,824	—	48,840
Long-term debt and other liabilities	180,334	1,920	453	—	182,707
Deferred income taxes	—	—	416	—	416
Shareholders'/ invested equity	244,969	266,400	94,497	(360,897)	244,969
	$ 427,030	$ 299,609	$ 111,190	$ (360,897)	$ 476,932

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Statement of Operations Information for the Fiscal Quarter Ended December 27, 2009 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 105,687	$ 36,573	$ (5)	$ 142,255
Cost of sales	—	95,724	29,262	(67)	124,919
Equity in subsidiaries	(2,218)	—	—	2,218	—
Selling, general and administrative expenses	(6)	9,678	2,485	(5)	12,152
Benefit for bad debts	—	(544)	(20)	—	(564)
Other operating (income) expense, net	(5,663)	5,643	(89)	—	(109)
Non-operating (income) expenses:					
Interest income	45	(139)	(740)	—	(834)
Interest expense	5,509	(295)	9	—	5,223
Equity in (earnings) losses of unconsolidated affiliates	—	(1,724)	(141)	256	(1,609)
Income (loss) from operations before income taxes	2,333	(2,656)	5,807	(2,407)	3,077
Provision for income taxes	380	8	736	—	1,124
Net income (loss)	$ 1,953	$ (2,664)	$ 5,071	$ (2,407)	$ 1,953

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Statement of Operations Information for the Fiscal Quarter Ended December 28, 2008 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 103,324	$ 22,586	$ (183)	$ 125,727
Cost of sales	—	103,756	19,750	(91)	123,415
Equity in subsidiaries	2,640	—	—	(2,640)	—
Selling, general and administrative expenses	190	7,669	1,537	(92)	9,304
Provision (benefit) for bad debts	—	620	(119)	—	501
Other operating (income) expense, net	(13)	(5,242)	(1)	44	(5,212)
Non-operating (income) expenses:					
Interest income	(27)	(2)	(651)	—	(680)
Interest expense	5,717	31	—	—	5,748
Equity in (earnings) losses of unconsolidated affiliates	—	(610)	634	(186)	(162)
Write down of investment in unconsolidated affiliate	—	483	1,000	—	1,483
Income (loss) from continuing operations before income taxes	(8,507)	(3,381)	436	2,782	(8,670)
Provision (benefit) for income taxes	561	(573)	626	—	614
Income (loss) from continuing operations	(9,068)	(2,808)	(190)	2,782	(9,284)
Income from discontinued operations, net of tax	—	—	216	—	216
Net income (loss)	$ (9,068)	$ (2,808)	$ 26	$ 2,782	$ (9,068)

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Statement of Operations Information for the Six-Months Ended December 27, 2009 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 210,234	$ 74,931	$ (59)	$ 285,106
Cost of sales	—	189,507	58,892	(35)	248,364
Write down of long-lived assets	—	100	—	—	100
Equity in subsidiaries	(4,574)	—	—	4,574	—
Selling, general and administrative expenses	(16)	18,569	4,822	(59)	23,316
Provision (benefit) for bad debts	—	(63)	75	—	12
Other operating (income) expense, net	(11,137)	11,160	(219)	—	(196)
Non-operating (income) expenses:					
Interest income	(17)	(139)	(1,424)	—	(1,580)
Interest expense	10,976	(270)	9	—	10,715
Gain on extinguishment of debt	(54)	—	—	—	(54)
Equity in (earnings) losses of unconsolidated affiliates	—	(4,076)	(318)	722	(3,672)
Income (loss) from operations before income taxes	4,822	(4,554)	13,094	(5,261)	8,101
Provision for income taxes	380	8	3,271	—	3,659
Net income (loss)	$ 4,442	$ (4,562)	$ 9,823	$ (5,261)	$ 4,442

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Statement of Operations Information for the Six-Months Ended December 28, 2008 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 233,015	$ 62,253	$ (532)	$ 294,736
Cost of sales	—	226,235	53,185	(421)	278,999
Equity in subsidiaries	(1,251)	—	—	1,251	—
Selling, general and administrative expenses	190	16,239	3,573	(153)	19,849
Provision (benefit) for bad debts	—	1,074	(15)	—	1,059
Other operating (income) expense, net	(15)	(5,222)	(361)	(175)	(5,773)
Non-operating (income) expenses:					
Interest income	(46)	(48)	(1,499)	—	(1,593)
Interest expense	11,646	62	5	—	11,713
Equity in (earnings) losses of unconsolidated affiliates	—	(4,060)	1,205	(789)	(3,644)
Write down of investment in unconsolidated affiliate	—	483	1,000	—	1,483
Income (loss) from continuing operations before income taxes	(10,524)	(1,748)	5,160	(245)	(7,357)
Provision (benefit) for income taxes	(780)	802	2,477	—	2,499
Income (loss) from continuing operations	(9,744)	(2,550)	2,683	(245)	(9,856)
Income from discontinued operations, net of tax	—	—	112	—	112
Net income (loss)	$ (9,744)	$ (2,550)	$ 2,795	$ (245)	$ (9,744)

UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Statements of Cash Flows Information for the Six-Months Ended December 27, 2009 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) continuing operating activities	$ 5,873	$ 331	$ 12,579	$ (42)	$ 18,741
Investing activities:					
Capital expenditures	(12)	(4,036)	(917)	—	(4,965)
Acquisition	—	—	(550)	—	(550)
Change in restricted cash	—	—	4,158	—	4,158
Proceeds from sale of capital assets	—	1,251	107	—	1,358
Other	—	—	(79)	—	(79)
Net cash provided by (used in) investing activities	(12)	(2,785)	2,719	—	(78)
Financing activities:					
Payments of long-term debt	(435)	—	(4,159)	—	(4,594)
Purchase and retirement of Company stock	(4,995)	—	—	—	(4,995)
Net cash provided by (used in) financing activities	(5,430)	—	(4,159)	—	(9,589)
Effect of exchange rate changes on cash and cash equivalents	—	—	2,667	42	2,709
Net increase in cash and cash equivalents	431	(2,454)	13,806	—	11,783
Cash and cash equivalents at beginning of period	11,509	(812)	31,962	—	42,659
Cash and cash equivalents at end of period	$ 11,940	$ (3,266)	$ 45,768	$ —	$ 54,442

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UNIFI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)

Statements of Cash Flows Information for the Six-Months Ended December 28, 2008 (amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) continuing operating activities	$ 4,642	$ (11,129)	$ (1,316)	$ (149)	$ (7,952)
Investing activities:					
Capital expenditures	(68)	(6,742)	(1,769)	750	(7,829)
Acquisition	—	(500)	—	—	(500)
Change in restricted cash	—	7,140	2,978	—	10,118
Proceeds from sale of capital assets	—	7,658	42	(750)	6,950
Reclassification of investment to foreign guarantor	(4,781)	—	4,781	—	—
Net cash provided by (used in) investing activities	(4,849)	7,556	6,032	—	8,739
Financing activities:					
Borrowings of long-term debt	14,600	—	—	—	14,600
Payments of long-term debt	(17,600)	—	(2,978)	—	(20,578)
Proceeds from stock exercises	3,830	—	—	—	3,830
Other	—	37	—	—	37
Net cash provided by (used in) financing activities	830	37	(2,978)	—	(2,111)
Cash flows of discontinued operations:					
Operating cash flow	—	—	(162)	—	(162)
Net cash used in discontinued operations	—	—	(162)	—	(162)
Effect of exchange rate changes on cash and cash equivalents	—	—	(6,292)	149	(6,143)
Net increase (decrease) in cash and cash equivalents	623	(3,536)	(4,716)	—	(7,629)
Cash and cash equivalents at beginning of period	689	3,377	16,182	—	20,248
Cash and cash equivalents at end of period	$ 1,312	$ (159)	$ 11,466	$ —	$ 12,619

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is Management's discussion and analysis of certain significant factors that have affected Unifi, Inc.'s together with its subsidiaries (the "Company's") operations and material changes in financial condition during the periods included in the accompanying Condensed Consolidated Financial Statements.

Business Overview

The Company is a diversified producer and processor of multi-filament polyester and nylon yarns, including specialty yarns with enhanced performance characteristics. The Company adds value to the supply chain and enhances consumer demand for its products through the development and introduction of branded yarns that provide unique performance, comfort and aesthetic advantages. The Company manufactures partially oriented, textured, dyed, twisted and beamed polyester yarns as well as textured nylon and nylon covered spandex products. The Company sells its products to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, hosiery, furnishings, automotive, industrial and other end-use markets. The Company maintains one of the industry's most comprehensive product offerings and emphasizes quality, style and performance in all of its products.

Polyester Segment. The polyester segment manufactures partially oriented, textured, dyed, twisted and beamed yarns with sales to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, automotive, hosiery, furnishings, industrial and other end-use markets. The polyester segment primarily manufactures its products in Brazil and the United States ("U.S."), which has the Company's largest operations. The polyester segment also includes a subsidiary in China focused on the sale and promotion of the Company's specialty and premier value-added ("PVA") products in the Asian textile market, primarily within China.

Nylon Segment. The nylon segment manufactures textured nylon and covered spandex products with sales to other yarn manufacturers, knitters and weavers that produce fabrics for the apparel, hosiery, sock and other end-use markets. The nylon segment consists of operations in Colombia and the U.S., which has the Company's largest operations.

Recent Developments and Outlook

After five consecutive calendar quarters of negative year-over-year performance, retail sales trends for both apparel and home furnishings demonstrated some signs of strength in the December 2009 quarter. In apparel, retail sales increased 3% for the December 2009 quarter compared to the same prior year quarter. In home furnishings, retail sales were down 6% for the December 2009 year-over-year quarter which is an improvement over the previous four consecutive quarterly double-digit declines. Furthermore, there have been recent month-over-month gains that show the overall trend in home furnishings continues to steadily improve. In the automotive segment, retail vehicle sales improved 5% for the December 2009 year-over-year quarter. Although North American light vehicle production has risen in each of the past two quarters, overall production levels remain 25% to 35% below calendar year 2007 levels.

While the Company has experienced positive trends in the quarter, overall retail sales of apparel, home furnishings and automotive products continue to be below pre-recession levels, however retail inventories are now more in line with the new level of consumer spending. As a result, the Company expects its sales into the apparel, home furnishing and automotive markets to be 4% to 8% below pre-recession levels. One benefit that the Company has experienced as a result of the economic crisis is that it has recaptured some market share.

In the second quarter of fiscal year 2010, the Company's Brazilian operation's sales volumes were 21% higher compared to the same quarter in the prior year and on a local currency basis conversion (net sales less raw material cost) profit increased 59% on a local currency basis. The Brazilian operations have recovered after a slow second half in fiscal year 2009, driven by gain in market share and a more robust economic recovery as compared to the U.S.

The Company's China subsidiary, Unifi Textiles Suzhou Co., Ltd. ("UTSC") reported its first profitable quarter. Several Repreve® programs are now generating sales orders and the Company is looking at local supply alternatives to improve profitability even further. Development programs in China continue to grow, although at a more moderate level given the impact of the global recession.

During the second quarter of fiscal year 2010, Parkdale America, LLC ("PAL"), the Company's joint venture with Parkdale Mills, Inc., purchased most of the spun cotton yarn manufacturing operations of Hanesbrands, Inc ("HBI"). In addition, PAL entered into a supply agreement with HBI whereby PAL will supply a substantial amount of HBI's yarn demand in the western hemisphere. The Company expects this agreement will substantially improve the financial performance of the joint venture and ultimately the fair value of its investment.

Competitive costing and shorter, more flexible lead times are the fundamental advantages of the U.S.-Dominican Republic-Central American Free Trade Agreement ("CAFTA") and these regional advantages remain attractive to apparel manufacturers. The Company believes in the long-term growth of the CAFTA region in spite of the recent decline in the region's market share of man-made fiber apparel. This decline was not unexpected, considering the recession driven trends to simplify product offerings. Currently, approximately 8% of the Company's U.S. production is shipped directly to fabric customers in the CAFTA region. After assessing several options, the Company has decided to establish a wholly-owned base of operations in Central America. These operations will provide the Company's Central American fabric customers order flexibility due to a more just-in-time product delivery. On January 11, 2010, the Company announced that it created Unifi Central America, Ltda. DE C.V. ("UCA"). Given the economic climate, brands and retailers continue to evaluate their global sourcing strategies in order to react more quickly to the constant changes in consumer demand. The Central American region provides the Company's customers with an additional quick-turn, quick replenishment solution in this hemisphere. With a base of operations established in El Salvador, UCA will serve customers in the Central American region. The Company will be relocating equipment to the region over the next two quarters, and it expects to begin shipping locally-produced yarn within the next six months.

Key Performance Indicators

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, which is an indicator of demand;
- margins, which are indicators of product mix and profitability;
- adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("adjusted EBITDA"), which the Company defines as net income or loss before income tax expense, interest expense, depreciation and amortization expense and loss or income from discontinued operations, adjusted to exclude equity in earnings and losses of unconsolidated affiliates, write down of long-lived assets, non-cash compensation expense net of distributions, gains and losses on sales of property, plant and equipment, currency and hedging gains and losses, and gain and loss on extinguishment of debt, as revised from time to time, which the Company believes is a supplemental measure of its performance and ability to service debt; and
- adjusted working capital (accounts receivable plus inventory less accounts payable and accruals) as a percentage of sales, which is an indicator of the Company's production efficiency and ability to manage its inventory and receivables.

Corporate Restructuring

Severance

The Company recorded severance expense of $2.4 million for its former President and Chief Executive Officer ("CEO") during the first quarter of fiscal year 2008 and $1.7 million of severance expense related to its former Chief Financial Officer during the second quarter of fiscal year 2008.

In the third quarter of fiscal year 2009, the Company reorganized, reducing its workforce due to the economic downturn. Approximately 200 salaried and wage employees were affected by this reorganization related to the Company's efforts to reduce costs. As a result, the Company recorded $0.3 million in severance charges related to certain allocated salaried corporate and manufacturing support staff.

The table below summarizes changes to the accrued severance account for the six-month period ended December 27, 2009 (amounts in thousands):

	Balance at June 28, 2009	Charges	Adjustments	Amounts Used	Balance at December 27, 2009
Accrued severance	$ 1,687(1)	—	20	(730)	$ 977

(1) As of June 28, 2009, the Company classified $0.3 million of executive severance as long-term.

Joint Ventures and Other Equity Investments

The following table represents the Company's investments in unconsolidated affiliates:

Affiliate Name	Date Acquired	Location	Percent Ownership
Parkdale America, LLC ("PAL")	Jun-97	North and South Carolina	34%
U.N.F. Industries, LLC ("UNF")	Sep-00	Migdal Ha — Emek, Israel	50%
UNF America, LLC ("UNF America")	Oct-09	Ridgeway, Virginia	50%
Yihua Unifi Fibre Company Limited ("YUFI") (1)	Aug-05	Yizheng, Jiangsu Province, People's Republic of China	50%

(1) The Company completed the sale of YUFI during the fourth quarter of fiscal year 2009.

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Condensed balance sheet information as of December 27, 2009 and June 28, 2009, and income statement information for the quarter and year-to-date periods ended December 27, 2009 and December 28, 2008, of the combined unconsolidated equity affiliates are as follows (amounts in thousands):

	As of December 27, 2009			
	PAL	UNF	UNF America	Total
Current assets	$161,559	$ 4,935	$1,037	$167,531
Noncurrent assets	110,300	1,866	744	112,910
Current liabilities	30,544	1,565	51	32,160
Noncurrent liabilities	13,697	—	1,548	15,245
Shareholders' equity and capital accounts	227,618	5,236	182	233,036

	As of June 28, 2009			
	PAL	UNF	UNF America	Total
Current assets	$149,959	$ 2,329		$152,288
Noncurrent assets	98,460	3,433		101,893
Current liabilities	21,754	1,080		22,834
Noncurrent liabilities	4,294	—		4,294
Shareholders' equity and capital accounts	222,371	4,682		227,053

	For the Quarter Ended December 27, 2009				
	YUFI (1)	PAL	UNF	UNF America	Total
Net sales		$112,827	$ 4,132	$ 807	$117,766
Gross profit		15,648	472	174	16,294
Depreciation and amortization		6,180	435	6	6,621
Income from operations		12,015	129	133	12,277
Net income		10,745	199	83	11,027

	For the Six-Months Ended December 27, 2009				
	YUFI	PAL	UNF	UNF America	Total
Net sales		$207,697	$ 8,708	$ 807	$217,212
Gross profit		23,331	1,198	174	24,703
Depreciation and amortization		10,732	909	6	11,647
Income from operations		16,785	524	133	17,442
Net income		17,662	554	83	18,299

	For the Quarter Ended December 28, 2008				
	YUFI	PAL	UNF	UNF America	Total
Net sales	$30,950	$ 97,194	$ 6,543		$134,687
Gross profit (loss)	(1,528)	5,825	(877)		3,420
Depreciation and amortization	1,325	5,447	474		7,246
Income (loss) from operations	(2,783)	2,546	(1,374)		(1,611)
Net income (loss)	(2,949)	1,794	(1,268)		(2,423)

	For the Six-Months Ended December 28, 2008				
	YUFI	PAL	UNF	UNF America	Total
Net sales	$ 70,830	$ 219,278	$ 12,435		$ 302,543
Gross profit (loss)	(3,575)	12,072	(1,667)		6,830
Depreciation and amortization	2,720	9,904	948		13,572
Income (loss) from operations	(6,939)	6,024	(2,625)		(3,540)
Net income (loss)	(7,566)	11,940	(2,411)		1,963

In June 1997, the Company and Parkdale Mills, Inc. entered into a contribution agreement whereby both companies contributed all of the assets of their spun cotton yarn operations utilizing open-end and air jet spinning technologies to create PAL. In exchange for its contributions, the Company received a 34% ownership interest in the joint venture. PAL is a producer of cotton and synthetic yarns for sale to the textile and apparel industries primarily within North America. PAL has 14 manufacturing facilities located in North Carolina, South Carolina, Virginia, Tennessee, and Georgia. For the quarter and year-to-date periods ended December 27, 2009 and December 28, 2008, the Company recognized net equity earnings of $1.7 million and $4.1 million compared to equity earnings of $0.6 million and $4.1 million, respectively. The Company received accumulated distributions from PAL of $1.6 million and $2.1 million for the year-to-date periods of fiscal years 2010 and 2009, respectively.

PAL receives benefits under the Food, Conservation, and Energy Act of 2008 (“2008 U.S. Farm Bill”) which extended the existing upland cotton and extra long staple cotton programs, including economic adjustment assistance provisions for ten years. Beginning August 1, 2008, the program provides textile mills a subsidy of four cents per pound on eligible upland cotton consumed during the first four years and three cents per pound for the last six years. 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. Capital expenditures must be directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the U.S. The recipients have the marketing year from August 1 to July 31, plus eighteen months to make the capital expenditures. In the period when both criteria have been met; eligible upland cotton has been consumed and qualifying capital expenditures under the program have been made; the economic assistance is recognized by PAL as reductions to cost of sales. PAL received economic assistance under the program of $14.0 million during the eleven months ended June 28, 2009 and, in accordance with the program provisions, recognized $9.7 million as reductions to costs of sales of which the Company’s share was $3.3 million.

On October 19, 2009 PAL notified the Company that approximately $8.0 million of the capital expenditures recognized for fiscal year 2009 had been preliminarily disqualified by the U.S. Department of Agriculture (“USDA”). PAL appealed the decision with the USDA. In November 2009, PAL notified the Company that the USDA had denied the appeal. PAL has filed a second appeal at a higher level and a hearing is scheduled during the Company’s third quarter of fiscal year 2010. In the event that PAL’s appeal is unsuccessful, PAL may be required to adjust its prior period earnings which the Company believes would not materially impact its results of operations. From a cash perspective, PAL has informed the Company that it expects there will be sufficient future qualifying capital expenditures to recapture any lost benefit after the appeal process has been completed.

The Company’s investment in PAL at December 27, 2009 was $59.6 million and the underlying equity in the net assets of PAL at December 27, 2009 was $77.4 million. The difference between the carrying value of the Company’s investment in PAL and the underlying equity in PAL is attributable to initial excess capital contributions by the Company of $53.4 million, settlement cost of an anti-trust lawsuit against PAL in which the Company did not participate of $2.6 million, net income adjustments of $0.3 million related to the expected disallowed expenditures for the cotton rebate program and other comprehensive income of $0.1 million offset by $74.1 million of investment impairment charges.

In September 2000, the Company and Nilit Ltd. ("Nilit") formed UNF, a 50/50 joint venture to produce nylon POY at Nilit's manufacturing facility in Migdal Ha-Emek, Israel which is the Company's primary source of nylon POY for its texturing operations. For the quarter and year-to-date periods ended December 27, 2009, the Company recognized net equity losses of $0.1 million and $0.4 million, respectively, compared to net equity losses of $0.4 million for each of the corresponding periods in the prior year.

On October 8, 2009, a wholly-owned foreign subsidiary of the Company formed a new joint venture, UNF America, with its partner, Nilit, for the purpose of producing nylon POY in Nilit's Ridgeway, Virginia plant. This new joint venture will allow UNF America to produce Berry Amendment and North American Free Trade Agreement ("NAFTA") compliant yarns which UNF was not able to produce under product origination requirements of these trade agreements. The new joint venture will also shorten the Company's supply chain resulting in expected improvements in working capital, product mix flexibility and financial results of its nylon joint ventures.

The Company's initial investment in UNF America was fifty thousand dollars. In addition, the Company loaned UNF America $0.5 million for working capital. The loan carries interest at LIBOR plus one and one-half percent and both principal and interest shall be paid from the future profits of UNF America at such time as deemed appropriate by its members. The loan is being treated as an additional investment by the Company for accounting purposes. For the quarter ended December 27, 2009, the Company recognized net equity earnings of fourteen thousand dollars.

In August 2005, the Company formed YUFI, a 50/50 joint venture with Sinopec Yizheng Chemical Fiber Co., Ltd, ("YCFC"), to manufacture process and market polyester filament yarn in YCFC's facilities in Yizheng, Jiangsu Province, People's Republic of China ("China"). During fiscal year 2008, the Company's management explored strategic options with its joint venture partner in China with the ultimate goal of determining if there was a viable path to profitability for YUFI. On July 30, 2008, the Company announced that it had reached a proposed agreement to sell its 50% interest in YUFI to its partner for $10.0 million.

In December 2008, the Company renegotiated the proposed agreement to sell its interest in YUFI to YCFC for $9.0 million and in March 2009 the sale closed. The Company continues to service customers in Asia through UTSC, a wholly-owned subsidiary based in Suzhou, China, that is focused on the development, sales and service of PVA yarns.

Review of Second Quarter Fiscal Year 2010 compared to Second Quarter Fiscal Year 2009

The following table sets forth the income (loss) from continuing operations components for each of the Company's business segments for the fiscal quarters ended December 27, 2009 and December 28, 2008. The table also sets forth each of the segments' net sales as a percent to total net sales, the net income (loss) components as a percent to total net sales and the percentage increase or decrease of such components over the comparable prior year period (amounts in thousands, except percentages):

	For the Quarters Ended				
	December 27, 2009		December 28, 2008		
		% to Total		% to Total	% Change
Net sales					
Polyester	$ 104,303	73.3	$ 93,984	74.8	11.0
Nylon	37,952	26.7	31,743	25.2	19.6
Total	$ 142,255	100.0	$ 125,727	100.0	13.1
		% to Sales		% to Sales	
Gross profit					
Polyester	$ 12,498	8.8	$ 559	0.4	2,135.8
Nylon	4,838	3.4	1,753	1.4	176.0
Total	17,336	12.2	2,312	1.8	649.8
Write down of long-lived assets and investment in unconsolidated affiliate					
Polyester	—	—	—	—	—
Nylon	—	—	—	—	—
Corporate	—	—	1,483	1.1	—
Total	—	—	1,483	1.1	—
Selling, general and administrative expenses					
Polyester	9,574	6.7	7,294	5.8	31.3
Nylon	2,578	1.8	2,010	1.6	28.3
Total	12,152	8.5	9,304	7.4	30.6
Provision (benefit) for bad debts	(564)	(0.4)	501	0.4	(212.6)
Other operating (income) expense, net	(109)	—	(5,212)	(4.1)	(97.9)
Non-operating (income) expense, net	2,780	1.9	4,906	3.9	(43.3)
Income (loss) from continuing operations before income taxes	3,077	2.2	(8,670)	(6.9)	(135.5)
Provision for income taxes	1,124	0.8	614	0.5	83.1
Income (loss) from continuing operations	1,953	1.4	(9,284)	(7.4)	(121.0)
Income from discontinued operations, net of tax	—	—	216	0.2	—
Net income (loss)	$ 1,953	1.4	$ (9,068)	(7.2)	(121.5)

As reflected in the tables above, the Company recognized a $3.1 million profit from continuing operations before income taxes for the quarter ended December 27, 2009 which was an increase of $11.7 million over the same quarter in the prior year. The increase in income from continuing operations before income tax was primarily attributable to increased conversion margins in the domestic polyester operations, the domestic nylon operations and the Brazilian operations and decreased converting costs in the domestic polyester operations. These favorable impacts were partially offset by decreases in other operating income.

Consolidated net sales from continuing operations increased $16.5 million, or 13.1% for the quarter ended December 27, 2009 compared to the prior year same quarter. Consolidated unit sales volumes increased by 17.2% for the quarter ended December 27, 2009 primarily due to improvements in both the domestic and Brazilian markets. On a consolidated basis the weighted-average sales price decreased by 4.1% for the same period. Refer to the segment operations under the captions “Polyester Operations” and “Nylon Operations” for a further discussion of each segment’s operating results.

Consolidated gross profit increased by $15.0 million to $17.3 million for the quarter ended December 27, 2009 as compared to the prior year same quarter. This increase in gross profit was primarily attributable to improved sales volumes, improved conversion of 19.2% on a per unit basis, and decreased manufacturing costs of 15.2% on a per unit basis. The improvements in conversion for both the domestic and Brazilian subsidiaries is a result of the recovery of previously lost margins resulting from significantly higher raw material cost in the prior December quarter. The reductions in manufacturing costs on a per unit basis are a result of the continuous efforts of management to control costs and the impact of increased incremental volume. Refer to the segment operations under the captions “Polyester Operations” and “Nylon Operations” for a further discussion of each segment’s operating results.

Selling, General, and Administrative Expenses

Consolidated selling, general and administrative (“SG&A”) expenses increased by $2.8 million, or 30.6% during the quarter ended December 27, 2009, as compared to the same prior year quarter. The increase in SG&A in the second quarter was primarily a result of increases of $1.8 million related to performance incentive compensation offset by reduced 401(k) employer contributions, $0.7 million in the Company’s Brazilian operations, $0.5 million in non-cash deferred compensation costs, and $0.2 million in sales and service fees, offset by decreases of $0.2 million in unallocated start up expenses and $0.3 million in professional fees and tax outsourcing expenses. SG&A expenses related to the Company’s Brazilian operations increased $0.7 million compared to the prior year period due to an increase of $0.4 million related to the strengthening of the Brazilian real against the U.S. dollar and an increase of $0.3 million in overall expenses.

Other Operating (Income) Expense, Net

Other operating (income) expense, net decreased from $5.2 million of income in the quarter ended December 28, 2008 to $0.1 million of income in the quarter ended December 27, 2009. The following table shows the components of other operating (income) expense, net (amounts in thousands):

	For the Quarters Ended	
	December 27, 2009	December 28, 2008
(Gain) loss on sale of fixed assets	$ 37	$ (5,594)
Currency (gains) losses	(133)	380
Other, net	(13)	2
Other operating (income) expense, net	$ (109)	$ (5,212)

Income Taxes

The Company’s income tax provision for the quarter ended December 27, 2009 resulted in tax expense at an effective rate of 36.5% compared to the quarter ended December 28, 2008 which resulted in tax expense at an effective rate of 7.1%. The difference between the Company’s income tax expense and the U.S. statutory rate for the quarter ended December 27, 2009 was primarily due to losses in the U.S. and other jurisdictions for which no tax benefit could be recognized while operating profit was generated in other taxable jurisdictions. The difference between the Company’s income tax expense and the U.S. statutory rate for the quarter ended December 28, 2008 was primarily attributable to state income tax benefits, foreign income taxed at rates less than the U.S. statutory rate and an increase in the valuation allowance.

Deferred income taxes have been provided for the temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. The valuation allowance on the Company's net domestic deferred tax assets is reviewed quarterly and will be maintained until sufficient positive evidence exists to support the reversal of the valuation allowance. In addition, until such time that the Company determines it is more likely than not that it will generate sufficient taxable income to realize its deferred tax assets, income tax benefits associated with future period losses will be fully reserved. The valuation allowance decreased $1.5 million in the quarter ended December 27, 2009 compared to increases of $3.5 million in the quarter ended December 28, 2008. The Company believes it is reasonably possible unrecognized tax benefits will decrease by approximately $1.2 million by the end of fiscal year 2010 as a result of expiring tax credit carry forwards. The Company has elected to classify interest and penalties recognized as income tax expense. The Company did not accrue interest or penalties related to uncertain tax positions during fiscal year 2009 or during the quarter ended December 27, 2009.

The Company is subject to income tax examinations for U.S. federal income taxes for fiscal years 2004 through 2009, for non-U.S. income taxes for tax years 2001 through 2009, and for state and local income taxes for fiscal years 2001 through 2009.

Polyester Operations

Consolidated polyester unit volumes increased 18.1% for the quarter ended December 27, 2009, while average net selling prices decreased 7.1% as compared to the quarter ended December 28, 2008. Net sales for the polyester segment for the quarter ended December 27, 2009 increased by $10.3 million or 11.0% as compared to the same quarter in the prior year primarily due to improvements in economic conditions for textile manufacturers and retailers, and due to the strengthening of the Brazilian real to the U.S. dollar as compared to the prior year quarter.

Domestically, polyester net sales decreased $2.5 million for the quarter ended December 27, 2009, or 3.5% as compared to the second quarter of fiscal year 2009. Domestic polyester sales volumes increased 9.7% while average unit prices decreased 13.1%. The decrease in domestic weighted-average selling prices reflects a decline in sales prices driven by lower raw material costs compared to the same prior year quarter.

The Company's Brazilian polyester net sales increased $8.2 million for the quarter ended December 27, 2009, or 36.7% as compared to the quarter ended December 28, 2008 of which $6.6 million was related to the currency exchange impact of the strengthening of the Brazilian real to the U.S. dollar. Brazilian polyester sales volumes increased 21.2%, however the subsidiary experienced an overall decline on a local currency basis in per unit net sales of 12.8% which were driven by lower raw material costs partially offset by an increase in a higher priced product mix.

The Company's China subsidiary reported $3.5 million in net sales for its sales office in the quarter ended December 27, 2009. This wholly-owned subsidiary is based in Suzhou, China and is dedicated to the development, sales and service of PVA yarns. UTSC obtained its business license in the second quarter of fiscal year 2009 and was capitalized during the third quarter of fiscal year 2009.

Gross profit for the consolidated polyester segment was $12.5 million for the quarter ended December 27, 2009 which represents an increase of $11.9 million over the quarter ended December 28, 2008. Per unit manufacturing costs decreased 19.2% which consisted of decreased per unit variable manufacturing costs of 21.1% and decreased per unit fixed manufacturing costs of 14.0% as discussed further below. Additionally, during the quarter ended December 27, 2009, conversion improved on a per unit basis by 20.3% compared to the same quarter of the prior year.

Domestic polyester gross profit increased $7.5 million for the quarter ended December 27, 2009 over the quarter ended December 28, 2008 primarily as a result of improved conversion and lower manufacturing costs. Domestic polyester conversion increased $3.9 million for the quarter ended December 27, 2009 and, on a per unit basis, increased 7.8% over the prior year same quarter. Variable manufacturing costs decreased $1.0 million or 14.2% on a per unit basis due to higher volumes and cost savings initiatives. Fixed manufacturing costs also declined 48.4% on a per unit basis as compared to quarter ended December 28, 2008 primarily as a result of higher volumes.

On a local currency basis, gross profit on a per unit basis for the Company's Brazilian operations increased 66.6% for the quarter ended December 27, 2009 over the prior year second quarter. This improvement is primarily attributable to an improvement in per unit conversion of 30.8%. On a U.S. dollar and per unit basis, gross profit increased $3.9 million or 110.5%, respectively. Favorable changes in currency translations positively affected gross profit by $0.7 million.

SG&A expenses for the quarter ended December 27, 2009 were $9.6 million compared to $7.3 million in the same quarter in the prior year. The polyester segment's SG&A expenses consist of domestic SG&A costs which are allocated to each segment on a basis that is determined at the beginning of every fiscal year using budgeted cost drivers plus the SG&A expenses of the polyester foreign subsidiaries. See the "Selling, General, and Administrative Expenses" section included in the consolidated quarterly discussion above for further detail.

Nylon Operations

Consolidated nylon unit volumes increased 10.8% in the quarter ended December 27, 2009 as compared to the prior year quarter while average selling prices increased 8.8%. Net sales for the nylon segment in the quarter ended December 27, 2009 increased $6.2 million, or 19.6% as compared to the quarter ended December 28, 2008. The increase in nylon net sales is related to increased demand in both the texturing and covering segments due to improved economic conditions while the increase in sales price was due to a shift in product mix toward fine covering.

Gross profit for the nylon segment increased $3.1 million, or 176.0% in the quarter ended December 27, 2009 compared to the prior year same quarter. The nylon segment experienced an increase in conversion of $4.0 million or 21.5% on a per unit basis primarily due to a favorable change in product mix. Converting costs increased overall by $0.9 million reflecting the higher value product mix. Variable manufacturing costs increased $1.3 million or 6.0% on a per unit basis primarily as a result of higher wage related costs and utility costs. Fixed manufacturing costs decreased 24.0% on a per unit basis primarily as a result of higher volumes.

SG&A expenses for the quarter ended December 27, 2009 were $2.6 million compared to $2.0 million in the same quarter in the prior year. The nylon segment's SG&A expenses consist of domestic SG&A costs which are allocated to each segment on a basis that is determined at the beginning of every fiscal year using budgeted cost drivers plus the SG&A expenses of the nylon foreign subsidiaries. See the "Selling, General, and Administrative Expenses" section included in the consolidated quarterly discussion above for further detail.

Corporate

On October 29, 2008, the shareholders of the Company approved the 2008 Unifi, Inc. Long-Term Incentive Plan ("2008 Long-Term Incentive Plan"). The 2008 Long-Term Incentive Plan authorized the issuance of up to 6,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including Incentive Stock Options ("ISO"), Non-Qualified Stock Options ("NQSO") and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock. Option awards are granted with an exercise price not less than the market price of the Company's stock at the date of grant.

During the quarter ended December 28, 2008, the Compensation Committee ("Committee") of the Board of Directors ("Board") authorized the issuance of 280,000 stock options from the 2008 Long-Term Incentive Plan to certain key employees. The stock options are subject to a market condition which vests the options on the date that the closing price of the Company's common stock shall have been at least $6.00 per share for thirty consecutive trading days. The exercise price is $4.16 per share which is equal to the market price of the Company's stock on the grant date. The Company used a Monte Carlo stock option model to estimate the fair value of $2.49 per share and the derived vesting period of 1.2 years.

During the quarter ended September 27, 2009, the Committee authorized the issuance of 1,700,000 stock options from the 2008 Long-Term Incentive Plan to certain key employees and certain members of the Board. The stock options vest ratably over a three year period and have 10-year contractual terms. The Company used the Black-Scholes model to estimate the fair values of the options granted. See "Footnote 11 – Stock-Based Compensation" for a table of the number of shares granted and the related assumptions used in the valuation of these awards.

The Company incurred $0.7 million and $0.3 million in the second quarter of fiscal years 2010 and 2009, respectively, in stock-based compensation charges which were recorded as SG&A expenses with the offset to capital in excess of par value.

The Company issued 100,000 shares of common stock during the quarter ended December 28, 2008, as a result of the exercise of stock options. There were no options exercised during the quarter ended December 27, 2009.

Review of Year-To-Date Fiscal Year 2010 compared to Year-To-Date Fiscal Year 2009

The following table sets forth the income (loss) from continuing operations components for each of the Company's business segments for the year-to-date periods ended December 27, 2009 and December 28, 2008. The table also sets forth each of the segments' net sales as a percent to total net sales, the net income (loss) components as a percent to total net sales and the percentage increase or decrease of such components over the comparable prior year period (amounts in thousands, except percentages):

	For the Six-Months Ended				
	December 27, 2009		December 28, 2008		
		% to Total		% to Total	% Change
Net sales					
Polyester	$ 208,763	73.2	$ 216,963	73.6	(3.8)
Nylon	76,343	26.8	77,773	26.4	(1.8)
Total	$ 285,106	100.0	$ 294,736	100.0	(3.3)
		% to Sales		% to Sales	
Gross profit					
Polyester	$ 26,301	9.2	$ 8,729	2.9	201.3
Nylon	10,441	3.7	7,008	2.4	49.0
Total	36,742	12.9	15,737	5.3	133.5
Write down of long-lived assets and investment in unconsolidated affiliate					
Polyester	100	—	—	—	—
Nylon	—	—	—	—	—
Corporate	—	—	1,483	0.5	—
Total	100	—	1,483	0.5	(93.5)
Selling, general and administrative expenses					
Polyester	18,406	6.5	15,654	5.3	17.6
Nylon	4,910	1.7	4,195	1.4	17.0
Total	23,316	8.2	19,849	6.7	17.5
Provision for bad debts	12	—	1,059	0.4	(98.9)
Other operating (income) expense, net	(196)	(0.1)	(5,773)	(2.0)	(96.6)
Non-operating (income) expense, net	5,409	1.9	6,476	2.2	(16.5)
Income (loss) from continuing operations before income taxes	8,101	2.9	(7,357)	(2.5)	(210.1)
Provision for income taxes	3,659	1.3	2,499	0.8	46.4
Income (loss) from continuing operations	4,442	1.6	(9,856)	(3.3)	(145.1)
Income from discontinued operations, net of tax	—	—	112	—	—
Net income (loss)	$ 4,442	1.6	$ (9,744)	(3.3)	(145.6)

As reflected in the tables above, the Company recognized $8.1 million of income from continuing operations before income taxes for the year-to-date period ended December 27, 2009 which was a $15.5 million increase over the prior year-to-date period. The increase in income from continuing operations before income taxes was primarily attributable to increased conversion in both the domestic and Brazilian operations as well as decreased converting costs. These favorable impacts were partially offset by increases in selling, general and administrative expense and decreases in other operating income.

Consolidated net sales decreased $9.6 million, or 3.3% for the year-to-date period ended December 27, 2009 compared to the same prior year-to-date period. Consolidated unit sales volumes increased by 4.8% for the current year-to-date period ended December 27, 2009 primarily from improvements in both the domestic and Brazilian markets. The weighted-average selling price on a consolidated basis for the same period decreased by 8.1% over the same prior year-to-date period. Refer to the segment operations under the captions “Polyester Operations” and “Nylon Operations” for a further discussion of each segment’s operating results.

Consolidated gross profit increased by $21.0 million to $36.7 million for the year-to-date period ended December 27, 2009 as compared to the same prior year-to-date period. This increase in gross profit was primarily attributable to improved conversion of 7.8% on a per unit basis as the Company recovered previously lost margins resulting from significantly higher raw material cost in the same prior year-to-date period and decreased manufacturing costs of 16.3% on a per unit basis. Refer to the segment operations under the captions “Polyester Operations” and “Nylon Operations” for a further discussion of each segment’s operating results.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased by $3.5 million, or 17.5%, during the year-to-date period ended December 27, 2009 as compared to the same prior year-to-date period. The increase in SG&A was primarily a result of increases of $1.7 million in performance incentive compensation offset by reduced 401(k) employer contributions, $1.0 million in non-cash deferred compensation costs, $0.7 million in the Company’s China sales office, $0.2 million related to the strengthening of the Brazilian real against the U.S. dollar, and $0.3 million in sales and service fees, offset by decreases of $0.4 million in professional fees and tax outsourcing expenses.

Other Operating (Income) Expense, Net

Other operating (income) expense, net decreased from $5.8 million of income for the year-to-date period ended December 28, 2008 to $0.2 million of income in the year-to-date period ended December 27, 2009. On September 29, 2008, the Company entered into an agreement to sell the assets located in Yadkinville, North Carolina for $7.0 million. On December 19, 2008, the Company completed the sale which resulted in net proceeds of $6.6 million and a net pre-tax gain of $5.2 million in the second quarter of fiscal year 2009. The following table shows the components of other operating (income) expense, net (amounts in thousands):

	For the Six-Months Ended	
	December 27, 2009	December 28, 2008
Gain on sale of fixed assets	$ (57)	$ (5,910)
Currency (gains) losses	(120)	77
Other, net	(19)	60
Other operating (income) expense, net	$ (196)	$ (5,773)

Income Taxes

The Company’s income tax provision for the year-to-date period ended December 27, 2009 resulted in tax expense at an effective rate of 45.2% compared to the same prior year-to-date period which resulted in tax expense at an effective rate of 33.5%. The differences between the Company’s income tax expense and the U.S. statutory rate for the year-to-date period ended December 27, 2009 was primarily due to losses in the U.S. and other jurisdictions for which no tax benefit could be recognized while operating profit was generated in other taxable jurisdictions. The difference between the Company’s income tax expense and the U.S. statutory rate for the year-to-date period ended December 28, 2008 was primarily attributable to state income tax benefits, foreign income taxed at rates less than the U.S. statutory rate and an increase in the valuation allowance.

Deferred income taxes have been provided for the temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. The valuation allowance on the Company's net domestic deferred tax assets is reviewed quarterly and will be maintained until sufficient positive evidence exists to support the reversal of the valuation allowance. In addition, until such time that the Company determines it is more likely than not that it will generate sufficient taxable income to realize its deferred tax assets, income tax benefits associated with future period losses will be fully reserved. The valuation allowance increased $0.7 million in the year-to-date period ended December 27, 2009 compared to an increase of $4.1 million in the same prior year-to-date period. The net increase in the valuation allowance for the year-to-date period ended December 27, 2009 primarily consists of a $0.3 million decrease in the net operating loss generated in the period, and an increase of $1.0 million related to other temporary differences.

The Company believes it is reasonably possible unrecognized tax benefits will decrease by approximately $1.2 million by the end of fiscal year 2010 as a result of expiring tax credit carry forwards.

The Company has elected to classify interest and penalties recognized as income tax expense. The Company did not accrue interest or penalties related to uncertain tax positions during fiscal year 2009 or during the quarter or year-to-date period ended December 27, 2009.

The Company is subject to income tax examinations for U.S. federal income taxes for fiscal years 2004 through 2009, for non-U.S. income taxes for tax years 2001 through 2009, and for state and local income taxes for fiscal years 2001 through 2009.

Polyester Operations

Consolidated polyester unit volumes increased 6.7% for the year-to-date period ended December 27, 2009, while average net selling prices decreased 10.5% as compared to the same prior year-to-date period. Net sales for the polyester segment for the year-to-date period ended December 27, 2009 decreased by $8.2 million or 3.8% as compared to the same period in the prior year.

Domestically, polyester net sales decreased $19.6 million for the year-to-date period ended December 27, 2009, or 12.5% as compared to the same prior year-to-date period. Domestic sales volume decreased 0.7% while average unit prices decreased 11.7% as compared to the same prior year-to-date period. The decrease in domestic weighted-average selling prices for the year-to-date period ended December 27, 2009 was driven by a decline in U.S. raw material costs compared to the same period in the prior year.

The Company's Brazilian polyester net sales increased $4.6 million for the year-to-date period ended December 27, 2009, or 7.7% as compared to the same year-to-date period of which $2.2 million is related to the currency exchange impact of the strengthening Brazilian real to the U.S. dollar. Brazilian polyester sales volumes increased 10.3%, however the subsidiary experienced an overall decline in per unit sales prices which were partially offset by an increase in a higher priced product mix.

The Company's China subsidiary reported $6.4 million in net sales for its sales office for the year-to-date period ended December 27, 2009. This wholly-owned subsidiary is based in Suzhou, China and is dedicated to the development, sales and service of PVA yarns. UTSC obtained its business license in the second quarter of fiscal year 2009 and was capitalized during the third quarter of fiscal year 2009.

Gross profit for the consolidated polyester segment increased $17.6 million for the year-to-date period ended December 27, 2009 over the same prior year-to-date period. On a per unit basis, gross profit increased 182.4% as compared to the same prior year-to-date period. Polyester conversion improved on a per unit basis 8.6% compared to the same period of the prior year. Per unit manufacturing costs decreased 19.6% which consisted of decreased per unit variable manufacturing costs of 24.0% and decreased per unit fixed manufacturing costs of 6.6%, as discussed further below.

Domestic gross profit increased $10.8 million for the year-to-date period ended December 27, 2009 over the same prior year-to-date period primarily as a result of improved conversion and lower manufacturing costs. The domestic polyester conversion increased by $3.2 million and, on a per unit basis, conversion increased 7.4%. Variable manufacturing costs decreased $3.4 million or 8.7% on a per unit basis as a result of cost savings initiatives. Fixed manufacturing costs also declined 34.9% on a per unit basis as compared to the same prior year-to-date period primarily as a result of higher volumes.

On a local currency basis, gross profit on a per unit basis for the Company's Brazilian operation increased 53.3% for the year-to-date period ended December 27, 2009 over the same prior year-to-date period. This improvement is primarily attributable to an improvement in per unit conversion of 21.5% which is mainly driven by declines in per unit raw material costs of 17.6%. On a U.S. dollar and per unit basis, gross profit increased $6.0 million or 54.6%, respectively.

SG&A expenses for the year-to-date period ended December 27, 2009 were $18.4 million compared to $15.7 million in the same period in the prior year. The polyester segment's SG&A expenses consist of domestic SG&A costs which are allocated to each segment on a basis that is determined at the beginning of every fiscal year using budgeted cost drivers plus the SG&A expenses of the polyester foreign subsidiaries. See the "Selling, General, and Administrative Expenses" section included in the consolidated year-to-date discussion above for further detail.

Nylon Operations

Consolidated nylon unit volumes decreased 8.5% in the year-to-date period ended December 27, 2009 compared to the same prior year-to-date period while average selling prices increased 6.7%. Net sales for the nylon segment decreased $1.4 million for the year-to-date period ended December 27, 2009, or 1.8% as compared to the same prior year-to-date period. The decrease in nylon net sales for the year-to-date period was primarily due to lower demand for its nylon textured products. The increase in the average selling price was due to a shift in the mix of products sold.

Gross profit for the nylon segment increased $3.4 million, or 49.0% in the year-to-date period ended December 27, 2009 compared to the same prior year-to-date period. The nylon segment experienced an increase in conversion of $1.9 million or, on a per unit basis, an increase of 16.3%. Manufacturing costs decreased $1.6 million for the year-to-date period ended December 27, 2009 as compared to the same period of the prior year however, on a per unit basis, costs increased 1.8% due to lower sales volumes and a higher value product mix.

SG&A expenses for the year-to-date period ended December 27, 2009 were $4.9 million compared to $4.2 million in the same prior year-to-date period. The nylon segment's SG&A expenses consist of domestic SG&A costs which are allocated to each segment on a basis that is determined at the beginning of every fiscal year using budgeted cost drivers plus the SG&A expenses of the nylon foreign subsidiaries. See the "Selling, General, and Administrative Expenses" section included in the consolidated year-to-date discussion above for further detail.

Corporate

On October 29, 2008, the shareholders of the Company approved the 2008 Long-Term Incentive Plan. The 2008 Long-Term Incentive Plan authorized the issuance of up to 6,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including ISO, NQSO and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock. Option awards are granted with an exercise price not less than the market price of the Company's stock at the date of grant.

During the second quarter of fiscal year 2009, the Committee of the Board authorized the issuance of 280,000 stock options from the 2008 Long-Term Incentive Plan to certain key employees. The stock options are subject to a market condition which vests the options on the date that the closing price of the Company's common stock shall have been at least $6.00 per share for thirty consecutive trading days. The exercise price is $4.16 per share which is equal to the market price of the Company's stock on the grant date. The Company used a Monte Carlo stock option model to estimate the fair value of $2.49 per share and the derived vesting period of 1.2 years.

During the first quarter of fiscal year 2010, the Committee authorized the issuance of 1,700,000 stock options from the 2008 Long-Term Incentive Plan to certain key employees and certain members of the Board. The stock options vest ratably over a three year period and have 10-year contractual terms. The Company used the Black-Scholes model to estimate the fair values of the options granted. See "Footnote 11 – Stock-Based Compensation" for a table of the number of shares granted and the related assumptions used in the valuation of these awards.

The Company incurred $1.3 million and $0.6 million for the year-to-date period of fiscal years 2010 and 2009, respectively, in stock-based compensation expense which was recorded as SG&A expenses with the offset to capital in excess of par value.

The Company issued 1,368,300 shares of common stock during the year-to-date period of fiscal year 2009, as a result of the exercise of stock options. There were no options exercised during the year-to-date period of fiscal year 2010.

Liquidity and Capital Resources

Liquidity Assessment

The Company's primary capital requirements are for working capital, capital expenditures and service of indebtedness. Historically, the Company has met its working capital and capital maintenance requirements from its operations. Asset acquisitions and joint venture investments have been financed by asset sales proceeds, cash reserves and borrowing under its financing agreements discussed below.

In addition to its normal operating cash and working capital requirements and service of its indebtedness, the Company will also require cash to fund capital expenditure projects as follows:

- *Capital Expenditures*. During the first six months of fiscal year 2010, the Company spent $5.0 million on capital expenditures compared to $7.8 million during the same period in fiscal year 2009. The Company estimates its fiscal year 2010 capital expenditures will be within a range of $9.0 million to $11.0 million excluding Central America. From time to time, the Company may have restricted cash from the sale of certain nonproductive assets reserved for domestic capital expenditures in accordance with its long-term borrowing agreements. As of December 27, 2009, the Company had no restricted cash funds that were required to be used for domestic capital expenditures. The Company's capital expenditures primarily relate to maintenance of existing assets and equipment and technology upgrades. Management continuously evaluates opportunities to further reduce production costs, and the Company may incur additional capital expenditures from time to time as it pursues new opportunities for further cost reductions.

- *Joint Venture Investments*. During the first six months of fiscal year 2010, the Company received $1.6 million in dividend distributions from its joint ventures. Although historically over the past five years the Company has received distributions from certain of its joint ventures, there is no guarantee that it will continue to receive distributions in the future. The Company may from time to time increase its interest, sell, or transfer idle equipment to its joint ventures. The Company may also from time-to-time evaluate investments in new related or unrelated joint ventures.

The Company's initial investment in UNF America was fifty thousand dollars paid in the second quarter of fiscal year 2010. In addition, during the second quarter fiscal year 2010 the Company loaned UNF America $0.5 million for working capital. The loan carries interest at LIBOR plus one and one-half percent and both principal and interest shall be paid from the future profits of UNF America at such time as deemed appropriate by its members.

- *Investments.* The Company's management decided that a fundamental change in its approach was required to maximize its earnings and growth opportunities in the Chinese market. Accordingly, the Company formed UTSC, a wholly-owned subsidiary based in Suzhou, China, that is dedicated to the development, sales and service of PVA yarns. UTSC obtained its business license in the second quarter of fiscal year 2009, was capitalized during the third quarter of fiscal year 2009 with $3.3 million of registered capital and became operational at the end of the third quarter of fiscal year 2009.

  The Company is executing its plans to establish a wholly-owned base of operations in Central America. The total investment in the initial stages is expected to be $10.0 million or less. The Company expects to commence operations during the third quarter of fiscal year 2010 and be fully operational by September 2010.

  During the second quarter of fiscal year 2010, PAL purchased most of the spun cotton yarn manufacturing operations of HBI. In addition, PAL entered into a supply agreement with HBI whereby PAL will supply a substantial amount of HBI's yarn demand in the western hemisphere. The funding of the initial purchase and the required working capital to operate these additional facilities will likely reduce future dividends paid from PAL to the Company. The Company expects this agreement will substantially improve the financial performance of the joint venture and ultimately the fair value of its investment.

  As discussed below in "Long-Term Debt", the Company's Amended Credit Agreement contains customary covenants for asset based loans which restrict future borrowings and capital spending. It includes a trailing twelve month fixed charge coverage ratio that restricts the Company's ability to invest in certain assets if the ratio becomes less than 1.0 to 1.0, after giving effect to such investment on a pro forma basis. As of December 27, 2009, the Company had a fixed charge coverage ratio of less than 1.0 to 1.0 and was therefore subjected to these restrictions. These restrictions will likely apply in future quarters until such time as the Company's financial performance improves.

Cash Provided by Continuing Operations

The following table summarizes the net cash provided by continuing operations:

	For the Six-Months Ended	
	December 27, 2009	December 28, 2008
	(Amounts in millions)	
Cash provided by continuing operations		
Cash Receipts:		
Receipts from customers	$ 296.0	$ 323.1
Dividends from unconsolidated affiliates	1.6	2.1
Cash Payments:		
Payments to suppliers and other operating cost	214.6	260.3
Payments for salaries, wages, and benefits	50.9	56.8
Payments for interest, net	8.6	9.6
Payments for restructuring and severance	0.7	2.3
Payments for taxes	4.0	2.9
Effects of foreign currency on net income	0.1	1.3
Cash provided by (used in) continuing operations	$ 18.7	$ (8.0)

The discussion below compares cash provided by continuing operations for the year-to-date period ended December 27, 2009 to the same period of fiscal year 2009. Cash received from customers decreased from $323.1 million to $296.0 million due to lower net sales as the Company lost revenues from the economic downturn. Payments to suppliers and for other operating costs decreased from $260.3 million to $214.6 million primarily as a result of the reduction in production related to the decline in product demand. Salary, wage and benefit payments decreased from $56.8 million to $50.9 million as a result of reduced production and reduced workforce associated with asset consolidation efficiencies. Taxes paid by the Company increased from $2.9 million to $4.0 million as a result of an increase in tax liabilities related to the Company's Brazilian subsidiary. Cash paid for interest, net of interest proceeds decreased $1.0 million from $9.6 million in the prior year period due to the reduction in the Company's long-term debt. The Company received cash dividends of $1.6 million and $2.1 million from PAL for the six-month periods ended December 27, 2009 and December 28, 2008, respectively.

On a U.S. dollar basis, working capital increased from $175.8 million at June 28, 2009 to $189.7 million at December 27, 2009 due to increases in inventories of $13.3 million, increases in cash of $11.8 million, increases, decreases in current maturities of long-term debt and other current liabilities of $2.9 million, increases in other current assets of $0.4 million, decreases in income tax payable of $0.2 million, and increases in deferred income tax assets of $0.1 million offset by decreases in accounts receivable of $8.4 million, decreases in restricted cash of $2.9 million, increases in accounts payable of $1.5 million, decreases in assets held for sale of $1.4 million and increases in accrued expenses of $0.6 million. The working capital current ratio was 5.0 at December 27, 2009 and 4.6 at June 28, 2009.

Cash Used In Investing Activities and Financing Activities

The Company utilized $0.1 million from net investing activities and utilized $9.6 million in net financing activities during the year-to-date period ended December 27, 2009. The primary cash expenditures for investing and financing activities during the current period included $5.0 million in capital expenditures, $5.0 million in purchase of the Company's stock, $4.6 million for payments of debt, and $0.6 million in acquisition costs, offset by $4.2 million decrease in restricted cash and $1.4 million in proceeds from the sale of capital assets.

The Company's ability to meet its debt service obligations and reduce its total debt will depend upon its ability to generate cash in the future which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond its control. The Company may not be able to generate sufficient cash flow from operations, and future borrowings may not be available to the Company under its amended revolving credit facility ("Amended Credit Agreement") in an amount sufficient to enable it to repay its debt or to fund its other liquidity needs. If its future cash flow from operations and other capital resources are insufficient to pay its obligations as they mature or to fund its liquidity needs, the Company may be forced to reduce or delay its business activities and capital expenditures, sell assets, obtain additional debt or equity capital or restructure or refinance all or a portion of its debt on or before maturity. The Company may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of its existing and future indebtedness, including its 11.5% senior secured notes (the "2014 notes") which mature on May 15, 2014 and its Amended Credit Agreement, may limit its ability to pursue any of these alternatives. See "Item 1A—Risk Factors—The Company will require a significant amount of cash to service its indebtedness, and its ability to generate cash depends on many factors beyond its control" included in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2009. Some risks that could adversely affect its ability to meet its debt service obligations include, but are not limited to, intense domestic and foreign competition in its industry, general domestic and international economic conditions, changes in currency exchange rates, interest and inflation rates, the financial condition of its customers and the operating performance of joint ventures, alliances and other equity investments.

Other Factors Affecting Liquidity

Asset Sales. Under the terms of the Company's debt agreements, the sale or other disposition of any assets or rights as well as the issuance or sale of equity interests in the Company's subsidiaries is considered an asset sale ("Asset Sale") subject to various exceptions. The Company has granted liens to its lenders on substantially all of its domestic operating assets ("Collateral") and its foreign investments. Further, the debt agreements place restrictions on the Company's ability to dispose of certain assets which do not qualify as Collateral ("Non-Collateral"). Pursuant to the debt agreements, the Company is restricted from selling or otherwise disposing of either its Collateral or its Non-Collateral, subject to certain exceptions, such as ordinary course of business inventory sales and sales of assets having a fair market value of less than $2.0 million.

Note Repurchases from Sources Other than Sales of Collateral and Non-Collateral. In addition to the offers to repurchase notes set forth above, the Company may also, from time to time, seek to retire or purchase its outstanding debt, in open market purchases, in privately negotiated transactions or otherwise. Such retirement or purchase of debt may come from the operating cash flows of the business or other sources and will depend upon prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material. See "Long-term Debt" below for further discussion.

The preceding description is qualified in its entirety by reference to the indenture and the 2014 notes which are listed on the Exhibit Index of the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2009.

Stock Repurchases. On November 25, 2009, the Company agreed to purchase 1,885,000 shares of its common stock at a per share purchase price of $2.65 per share (based on an approximately 10% discount to the closing price of the common stock on November 24, 2009) from Invemed Catalyst Fund, L.P. The purchase of the shares pursuant to the transaction was not pursuant to the repurchase plan as discussed in "Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" included in Part II of this Quarterly Report on Form 10-Q and does not reduce the remaining authority thereunder. The transaction closed on November 30, 2009 at a total purchase price of $5.0 million.

Environmental Liabilities. The land for the Kinston site was leased pursuant to a 99 year ground lease ("Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency ("EPA") and the North Carolina Department of Environment and Natural Resources ("DENR") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont. This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site. However, the Company continues to own a satellite service facility acquired in the INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the

Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Market Conditions. Further deterioration of the current global economic conditions could reduce demand for the Company's product faster than management's ability to react through further consolidation of its manufacturing capacity, since the Company is a high volume, high fixed cost business. These conditions could also materially affect the Company's customers causing reductions or cancellations of existing sales orders and inhibit the collectibility of receivables. In addition, the Company's suppliers may be unable to fulfill the Company's outstanding orders or could change credit terms that would negatively affect the Company's liquidity. All of these factors could adversely impact the Company's results of operations, financial condition and cash flows.

Long-Term Debt

On May 26, 2006, the Company issued $190 million of 2014 notes. In connection with the issuance, the Company incurred $7.3 million in professional fees and other expenses which are being amortized to expense over the life of the 2014 notes. Interest is payable on the 2014 notes on May 15 and November 15 of each year. The 2014 notes are unconditionally guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries. The 2014 notes and guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Company's and the Company's subsidiary guarantors' assets other than the assets securing the Company's obligations under its Amended Credit Agreement as discussed below. The assets include but are not limited to, property, plant and equipment, domestic capital stock and some foreign capital stock. Domestic capital stock includes the capital stock of the Company's domestic subsidiaries and certain of its joint ventures. Foreign capital stock includes up to 65% of the voting stock of the Company's first-tier foreign subsidiaries, whether now owned or hereafter acquired, except for certain excluded assets. The 2014 notes and guarantees are secured by second-priority liens, subject to permitted liens, on the Company and its subsidiary guarantors' assets that will secure the 2014 notes and guarantees on a first-priority basis. The estimated fair value of the 2014 notes, based on quoted market prices, at December 27, 2009 was approximately $170.7 million.

Through December 27, 2009, the Company sold property, plant and equipment secured by first-priority liens in an aggregate amount of $26.1 million. In accordance with the 2014 notes collateral documents and the indenture, the proceeds from the sale of the property, plant and equipment (First Priority Collateral) were deposited into the First Priority Collateral Account whereby the Company may use the restricted funds to purchase additional qualifying assets. Through December 27, 2009, the Company had utilized all $26.1 million to purchase qualifying assets, leaving no funds remaining in the First Priority Collateral Account.

For the twelve month periods beginning May 15, 2010 and May 15, 2011 the Company has the option to redeem the 2014 notes at redemption prices of 105.750% and 102.875% of par value, respectively. Thereafter, the 2014 notes may be redeemed at par value. The Company may also purchase its 2014 notes in open market purchases or in privately negotiated transactions and then retire them. Such purchases of the 2014 notes will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. On September 15, 2009, the Company repurchased and retired notes having a face value of $0.5 million in open market purchases. The net effect of the gain on this repurchase and the write-off of the respective unamortized issuance cost of the 2014 notes resulted in a net gain of fifty-four thousand dollars.

Concurrently with the issuance of the 2014 notes, the Company amended its senior secured asset-based revolving credit facility to provide for a $100 million revolving borrowing base to extend its maturity to 2011, and revise some of its other terms and covenants. The Amended Credit Agreement is secured by first-priority liens on the Company's and its subsidiary guarantors' inventory, accounts receivable, general intangibles (other than uncertificated capital stock of subsidiaries and other persons), investment property (other than capital stock of subsidiaries and other persons), chattel paper, documents, instruments, supporting obligations, letter of credit rights, deposit accounts and other related personal property and all proceeds relating to any of the above, and by second-priority liens, subject to permitted liens, on the Company's and its subsidiary guarantors' assets securing the 2014 notes and guarantees on a first-priority basis, in each case other than certain excluded assets. The Company's ability to borrow under the Company's Amended Credit Agreement is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to other conditions and limitations.

Borrowings under the Amended Credit Agreement bear interest at rates of LIBOR plus 1.50% to 2.25% and/or prime plus 0.00% to 0.50%. The interest rate matrix is based on the Company's excess availability under the Amended Credit Agreement. The Amended Credit Agreement also includes a 0.25% LIBOR margin pricing reduction if the Company's fixed charge coverage ratio is greater than 1.5 to 1.0. The unused line fee under the Amended Credit Agreement is 0.25% to 0.35% of the borrowing base. In connection with the refinancing, the Company incurred fees and expenses aggregating $1.2 million, which are being amortized over the term of the Amended Credit Agreement.

As of December 27, 2009, under the terms of the Amended Credit Agreement, the Company had no outstanding borrowings and borrowing availability of $62.9 million.

The Amended Credit Agreement contains affirmative and negative customary covenants for asset-based loans that restrict future borrowings and capital spending. The covenants under the Amended Credit Agreement are more restrictive than those in the indenture. Such covenants include, without limitation, restrictions and limitations on (i) sales of assets, consolidation, merger, dissolution and the issuance of the Company's capital stock, each subsidiary guarantor and any domestic subsidiary thereof, (ii) permitted encumbrances on the Company's property, each subsidiary guarantor and any domestic subsidiary thereof, (iii) the incurrence of indebtedness by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (iv) the making of loans or investments by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (v) the declaration of dividends and redemptions by the Company or any subsidiary guarantor and (vi) transactions with affiliates by the Company or any subsidiary guarantor.

The Amended Credit Agreement contains customary covenants for asset based loans which restrict future borrowings and capital spending. It includes a trailing twelve month fixed charge coverage ratio that restricts the Company's ability to invest in certain assets if the ratio becomes less than 1.0 to 1.0, after giving effect to such investment on a pro forma basis. As of December 27, 2009 the Company had a fixed charge coverage ratio of less than 1.0 to 1.0 and was therefore subjected to these restrictions. These restrictions will likely apply in future quarters until such time as the Company's financial performance improves.

Under the Amended Credit Agreement, the maximum capital expenditures are limited to $30 million per fiscal year with a 75% one-year unused carry forward. The Amended Credit Agreement permits the Company to make distributions, subject to standard criteria, as long as pro forma excess availability is greater than $25 million both before and after giving effect to such distributions, subject to certain exceptions. Under the Amended Credit Agreement, acquisitions by the Company are subject to pro forma covenant compliance. If borrowing capacity is less than $25 million at any time, covenants will include a required minimum fixed charge coverage ratio of 1.1 to 1.0, receivables are subject to cash dominion, and annual capital expenditures are limited to $5.0 million per year of maintenance capital expenditures.

Unifi do Brazil, received loans from the government of the State of Minas Gerais to finance 70% of the value added taxes due by Unifi do Brazil to the State of Minas Gerais. These twenty-four month loans were granted as part of a tax incentive program for producers in the State of Minas Gerais. The loans had a 2.5% origination fee and bear an effective interest rate equal to 50% of the Brazilian inflation rate, which was negative 0.3% on December 27, 2009. When the Brazilian inflation rate is below zero, the impact reduces the amount of the liability. The loans were collateralized by a performance bond letter issued by a Brazilian bank, which secures the performance by Unifi do Brazil of its obligations under the loans. In return for this performance bond letter, Unifi do Brazil made certain restricted cash deposits with the Brazilian bank in amounts equal to 100% of the loan amounts. The deposits made by Unifi do Brazil earn interest at a rate equal to approximately 100% of the Brazilian prime interest rate which was 8.8% as of December 27, 2009. The ability to make new borrowings under the tax incentive program ended in May 2008. As of December 27, 2009 Unifi do Brazil had $3.6 million of outstanding deposits and loans recorded on its balance sheet.

The Company believes that, based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, including borrowings under its Amended Credit Agreement, will be adequate to fund anticipated capital and other expenditures and to satisfy its working capital requirements for at least the next twelve months.

Recent Accounting Pronouncements

Effective June 29, 2009, the Company adopted Accounting Standards Codification (“ASC”) 805-20, “Business Combinations – Identifiable Assets, Liabilities and Any Non-Controlling Interest” (“ASC 805-20”). ASC 805-20 amends and clarifies ASC 805 which requires that the acquisition method of accounting, instead of the purchase method, be applied to all business combinations and that an “acquirer” is identified in the process. The guidance requires that fair market value be used to recognize assets and assumed liabilities instead of the cost allocation method where the costs of an acquisition are allocated to individual assets based on their estimated fair values. Goodwill would be calculated as the excess purchase price over the fair value of the assets acquired; however, negative goodwill will be recognized immediately as a gain instead of being allocated to individual assets acquired. Costs of the acquisition will be recognized separately from the business combination. The end result is that the statement improves the comparability, relevance and completeness of assets acquired and liabilities assumed in a business combination. The adoption of this guidance had no material effect on the Company’s financial statements.

In October 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2009-13, “Multiple-Deliverable Revenue Arrangements”, (“ASU 2009-13”). ASU 2009-13 requires entities to allocate revenues in the absence of vendor-specific objective evidence or third party evidence of selling price for deliverables using a selling price hierarchy associated with the relative selling price method. ASU 2009-13 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect that the adoption of ASU 2009-13 will have a material impact on the Company’s consolidated results of operations or financial condition.

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, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward-Looking Statements

Forward-looking statements are those that do not relate solely to historical fact. These forward-looking statements reflect the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties that may cause actual results to differ materially from trends, plans or expectations set forth in the forward-looking statements. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. They may contain words such as "believe", "anticipate", "expect", "estimate", "intend," "project," "plan", "will", or words or phrases of similar meaning. Readers of this report should not rely solely on the forward-looking statements and should consider all risks and uncertainties through-out this report as well as those discussed under "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2009. Factors that may cause actual results to differ from expectations include:

- 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;
- its ability to reduce production costs;
- changes in currency exchange rates, interest and inflation rates;
- the financial condition of its customers;
- its ability to sell excess assets;
- technological advancements and the continued availability of financial resources to fund capital expenditures;
- the operating performance of joint ventures, alliances and other equity investments;
- the impact of environmental, health and safety regulations;
- the loss of a material customer;
- employee relations;
- volatility of financial and credit markets;
- the continuity of the Company's leadership;
- availability of and access to credit on reasonable terms; and
- the success of the Company's consolidation initiatives.

New risks can emerge from time to time. It is not possible for the Company to predict all of these risks, nor can it assess the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in forward-looking statements. The Company will not update these forward-looking statements, even if its situation changes in the future, except as required by federal securities laws.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risks associated with changes in interest rates and currency fluctuation rates, which may adversely affect its financial position, results of operations and Condensed Consolidated Statements of Cash Flows. In addition, the Company is also exposed to other risks in the operation of its business.

Interest Rate Risk: The Company is exposed to interest rate risk through its various borrowing activities. The majority of the Company's borrowings are in long-term fixed rate bonds. Therefore, the market rate risk associated with a 100 basis point change in interest rates would not be material to the Company at the present time.

Currency Exchange Rate Risk: The Company accounts for derivative contracts and hedging activities at fair value. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or are recorded in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company does not enter into derivative financial instruments for trading purposes nor is it a party to any leveraged financial instruments.

The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded and the dates they are consummated. The Company utilizes some natural hedging to mitigate these transaction exposures. The Company primarily enters into foreign currency forward contracts for the purchase and sale of European, North American and Brazilian currencies to use as economic hedges against balance sheet and income statement currency exposures. These contracts are principally entered into for the purchase of inventory and equipment and the sale of Company products into export markets. Counter-parties for these instruments are major financial institutions.

Currency forward contracts are used to hedge exposure for sales in foreign currencies based on specific sales made to customers. Generally, 60-75% of the sales value of these orders is covered by forward contracts. Maturity dates of the forward contracts are intended to match anticipated receivable collections. The Company marks the forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other operating (income) expense. The Company also enters currency forward contracts for committed inventory purchases made by its Brazilian subsidiary. Generally up to 5% of these inventory purchases are covered by forward contracts although 100% of the cost may be covered by individual contracts in certain instances. As of December 27, 2009, the Brazilian subsidiary's currency risk was minimal and therefore no forward contracts were deemed necessary. The latest maturity for all outstanding foreign currency sales contracts is March 2010.

There is now a common definition of fair value used and a hierarchy for fair value measurements based on the type of inputs that are used to value the assets or liabilities at fair value.

The levels of the fair value hierarchy are:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date,
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, or
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below (amounts in thousands):

	December 27, 2009	June 28, 2009
Foreign currency purchase contracts:	Level 2	Level 2
Notional amount	$ —	$ 110
Fair value	—	130
Net gain	$ —	$ (20)
Foreign currency sales contracts:		
Notional amount	$ 1,783	$ 1,121
Fair value	1,828	1,167
Net loss	$ (45)	$ (46)

The fair values of the foreign exchange forward contracts at the respective quarter-end dates are based on discounted quarter-end forward currency rates. The total impact of foreign currency related items that are reported on the line item other operating (income) expense, net in the Consolidated Statements of Operations, including transactions that were hedged and those unrelated to hedging, was a pre-tax gain of $0.1 million for the quarter ended December 27, 2009 and a pre-tax loss of $0.4 million for the quarter ended December 28, 2008. For the year-to-date periods ended December 27, 2009 and December 28, 2008, the total impact of foreign currency related items resulted in a pre-tax gain of $0.1 million and a pre-tax loss of $0.1 million, respectively.

Inflation and Other Risks: The inflation rate in most countries the Company conducts business has been low in recent years and the impact on the Company's cost structure has not been significant. The Company is also exposed to political risk, including changing laws and regulations governing international trade such as quotas and tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Item 4. Controls and Procedures

As of the end of the December 2009 quarter, 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 CEO and CFO. Based on that evaluation, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors set forth under Part 1A. "Risk Factors" in its Annual Report on Form 10-K for the fiscal year ended June 28, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Items 2(a) and (b) are not applicable.

(c) The following table summarizes the Company's repurchases of its common stock during the quarter ended December 27, 2009:

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 Number of Shares that May Yet Be Purchased Under the Plans or Programs
9/28/09 — 10/27/09	—	—	—	6,807,241
10/28/09 — 11/27/09	—	—	—	6,807,241
11/28/09 — 12/27/09	1,885,000	$ 2.65	—	6,807,241
Total	1,885,000	$ 2.65	—	

On April 25, 2003, the Company announced that its Board had reinstituted the Company's previously authorized stock repurchase plan at its meeting on April 24, 2003. The plan was originally announced by the Company on July 26, 2000 and authorized the Company to repurchase of up to 10.0 million shares of its common stock. During fiscal years 2004 and 2003, the Company repurchased approximately 1.3 million and 0.5 million shares, respectively. The repurchase plan was suspended in November 2003 and the Company has no immediate intention of reinstating the plan. There is remaining authority for the Company to repurchase approximately 6.8 million shares of its common stock under the repurchase plan. The repurchase plan has no stated expiration or termination date.

Please see "*Stock Repurchases*" included in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of the Company's stock repurchase activities.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Shareholders of the Company at their Annual Meeting held on October 28, 2009, elected the following directors to serve until the Annual Meeting of the Shareholders in 2010 or until their successors are elected and qualified.

Name of Director	Votes in Favor	Votes Withheld
William J. Armfield, IV	51,766,272	1,363,662
R. Roger Berrier, Jr.	52,163,220	966,714
Archibald Cox, Jr.	52,245,238	884,696
William L. Jasper	52,166,091	963,843
Kenneth G. Langone	52,211,652	918,282
Chiu Cheng Anthony Loo	52,227,165	902,769
George R. Perkins, Jr.	52,249,886	880,048
William M. Sams	52,204,050	925,884
Michael Sileck	52,231,424	898,510
G. Alfred Webster	51,646,333	1,483,601
Stephen Wener	52,227,650	902,284

Item 5. Other Information

Not applicable.

Item 6. Exhibits

10.1 Yarn Purchase Agreement between Unifi Manufacturing, Inc. and Hanesbrands, Inc effective November 6, 2009 filed herewith in redacted form as confidential treatment has been requested pursuant to Rule 24b-2 for certain portions thereof.

10.2 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).

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.

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Signatures

Pursuant to the requirements 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: February 5, 2010

/s/ RONALD L. SMITH
Ronald L. Smith
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer and Duly Authorized
Officer)

Exhibit 10.1

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 6th day of November, 2009 (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 and A-3 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 and A-3, (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.

2.2 Buyer's Minimum Commitment. Buyer shall purchase from Supplier "[Confidential]*" of products that Supplier is capable of producing pursuant to the terms of this Agreement. Specifically, 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.

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 and A-3 attached hereto and incorporated herein by this reference (the "Purchase Price").

(a) In accordance with Exhibits A-1, A-2 and A-3 the Purchase Price for the Yarns shall be "[Confidential]*" shown on Exhibits A-1, A-2 and A-3 for the applicable Yarns, or in the alternative, Exhibits A-1, A-2 and A-3 shall contain the final finished Purchase Price for the applicable Yarns wherein Supplier has not engaged in "[Confidential]*" for said Yarns SKU. 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. It is anticipated that Supplier will produce certain Yarns in El Salvador or otherwise in Central America. 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 and A-3. Additionally, Supplier shall procure

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warehouse space for finished goods in "[Confidential]*" within 120 days from the Effective Date of this Agreement to supply Buyer's needs there. In the event that governmental changes impose such costs at either location, then the Purchase Price of all affected Yarns shall be adjusted accordingly.

(c) As set forth on Exhibit A-4 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-4; 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 shall continue in effect until adjusted in accordance with the parameters contained within Exhibit A-4.

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 raw materials for production of the Yarns. In such event, Supplier will purchase 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 the raw materials to Supplier's facility, including, where applicable, any customs, duties, taxes and other 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 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.

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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.

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

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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;

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(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 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 thereafter (the "Initial Term"), unless terminated as provided herein. Within ninety (90) days prior to the expiration of the Initial Term (or the first extended term, as applicable), Supplier and Buyer may agree to extend the Term for two (2) additional one year periods.

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;

(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,

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(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 Yarns, 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 Indemnities’ property and employees) caused by Supplier 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, except to the extent that the Yarns 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 Indemnities’ expense, except that if Supplier shall have failed, upon the Buyer Indemnities’ 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 Indemnitee against or hold any Supplier Indemnitee 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 Indemnitees") from and against any Claims brought against or incurred by any Supplier Indemnitee because of (i) any death, injury or damage to any Person or property (including Supplier Indemnities' 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 Indemnitee shall have the right to participate with Buyer in the defense of any Claim, which participation shall be at Supplier Indemnities' expense, except that if Buyer shall have failed, upon the Supplier Indemnities' request, to assume the defense or to engage counsel reasonably satisfactory to Supplier Indemnitee, then Buyer shall reimburse Supplier Indemnitee, on a monthly basis, for all reasonable costs and expenses, including reasonable attorneys fees, that the Supplier Indemnitee incurs in connection with the defense. Buyer shall not be required to indemnify any Supplier Indemnitee against or hold any Supplier Indemnitee 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@hanesbrands.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.johnson@hanesbrands.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: Charles F. McCoy, General Counsel
Telecopy: (336) 856-4364
Electronic Mail: cmccoy@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 Yarns. 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 Yarn from alternative suppliers until such Force Majeure Event has abated and Supplier gives notice to Buyer that it is again able to supply Yarn 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 Hanesbrands 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 Hanesbrands 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: President, International Business and Global Supply Chain

Unifi Manufacturing, Inc.

/s/ Roger Berrier

By: Roger Berrier

Title: Executive Vice President — Sales, Marketing and Asian Operations

Appendix A-1 — Purchase Price

<table>
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</table>

* 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 filed separately with the United States Securities and Exchange Commission.

Appendix A-1 — Purchase Price

<table>
<tr><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th colspan="2">Clarksville</th><th colspan="2">Camuy</th><th></th></tr>
<tr><th>Hosiery SAP #</th><th>Intimates SAP #</th><th>Orig A Item</th><th>Description</th><th>Current Unifi Base Item #</th><th>Core Denier</th><th>Text Den</th><th>Text Fill</th><th>TPI</th><th>Core Supplier</th><th>Cover Supplier</th><th>Core Price</th><th>Cover Price</th><th>Core %</th><th>% Cover</th><th>"[*]"</th><th>"[*]"</th><th>Product Price</th><th>Freight</th><th>Total Price</th><th>Freight</th><th>Total Price</th><th>Notes</th></tr>
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<tr><td>2000207</td><td>YN007VXNC0000000</td><td>Orig A</td><td>AC SP 20-N 15/7 TX</td><td>C3MS319J</td><td>20</td><td>15</td><td>7</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>N/A</td><td>N/A</td><td>Orig A</td><td>AC SP 20-N 20/7 TX</td><td>TBD</td><td>20</td><td>20</td><td>7</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2000208</td><td>YN007WXNC0000000</td><td>Orig A</td><td>AC SP 20-N 15/7 TX</td><td>C3MS319J</td><td>20</td><td>15</td><td>7</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2000258</td><td>N/A</td><td>Orig A</td><td>N 70/34 TX AE 2</td><td>N30S8422</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2000258</td><td>N/A</td><td>Orig A</td><td>N 70/34 TX AE 2</td><td>N30S8302</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2000300</td><td>N/A</td><td>Orig A</td><td>SC 10-N 7/5</td><td>C3LS030M</td><td>10</td><td>7</td><td>5</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2000300</td><td>N/A</td><td>Orig A</td><td>SC 10-N 7/5</td><td>C3LS030M</td><td>10</td><td>7</td><td>5</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2100000</td><td>YNC01S</td><td>Orig A</td><td>SC SP 40-N 20/7 TX</td><td>C3MS136M</td><td>40</td><td>20</td><td>7</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2100001</td><td>YNC01T</td><td>Orig A</td><td>SC SP 40-N 20/7 TX</td><td>C3MS136M</td><td>40</td><td>20</td><td>7</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
<tr><td>2101635</td><td>YN0064XNC0000000</td><td>Orig A</td><td>N 40/34 TX 2</td><td>N30S8482</td><td></td><td>40</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td></td></tr>
</table>

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Appendix A-1 — Purchase Price

																		Clarksville		Camuy		
Hosiery SAP #	Intimates SAP #	Orig A Item	Description	Current Unifi Base Item #	Core Denier	Text Den	Text Fill	TPI	Core Supplier	Cover Supplier	Core Price	Cover Price	Core %	% Cover	"[*]"	"[*]"	Product Price	Freight	Total Price	Freight	Total Price	Notes
2101635	YN0064XNC0000000	Orig A	N 40/34 TX 2 ply	N30S8392		40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2116274	YN003MXNC0000000	Orig A	70|1|40|34||||||29.4|70.6||Z|	C3MS186M	70	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2116275	YN003NXNC0000000	Orig A	70|1|40|34||||||29.4|70.6||Z|	C3MS186M	70	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2117111	YN0075XNC0000000	Orig A	N 60/68 TX 2	TBD		60	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2121154		Orig A	DC SP 20-N 5/4 R	C3M5142R	20	5	4	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2123162	N/A	Orig A	20|1|7|5|NYLON 66|1|7|5|NYLON 66|26.12|37.84|36.04|S/Z|	C3MS149R	20	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2129687	N/A	Orig A	SC SP 20-N 7/5 R	C3MS138M	20	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2129656	N.A	Orig A	SC SP 20-N 7/5 R	C3MS138M	20	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2131540	N/A	Orig A	DC 20|1|10|7|NYLON 66|1|10|7|NYLON 65|19.6|40.81|398.59|S/Z|	C3MS144R	20	10	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
		Orig A	SC SP 20-N 80/92 TX	TBD	20	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
		Orig A	SC SP 20-N 80/92 TX	TBD	20	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
	YN004EXNC0000000	Orig A	SC SP 20-N 80/92 TX	C3MS163M	20	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
	YN004FXNC0000000	Orig A	SC SP 20-N 80/92 TX	C3MS163M	20	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2163324		Orig A	SC SP 20-N 15/5 BC	C3MS139M	20	15	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2163325		Orig A	SC SP 20-N 15/5 BC	C3MS139M	20	15	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2150009	YN003PXNC0000000	Orig A	SC SP 18-N 23/28 TX	C3LS020M	18	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2150010	YN003QXNC0000000	Orig A	SC SP 18-N 23/28 TX	C3LS020M	18	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2150087	N/A	Orig A	SC 20 1/40/13 T65	C3MS033M	20	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2150086	N/A	Orig A	SC 20 1/40/13 T65	C3MS033M	20	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2151953	N/A	Orig A	DC 40-N 10/7	C3MS145R	40	10	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2151953	N/A	Orig A	DC 40-N 10/7	TBD	40	10	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2154303	N/A	Orig A	SC SP 140-N 40/13 T	C3MS150M, C3MS194M	140	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2154304	N/A	Orig A	SC SP 140-N 40/13 T	C3MS150M, C3MS194M	140	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2155728	YN005QXNC0000000	Orig A	SC DU 35-N 23/28 TX	C3LS008M	35	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2155729	YN005RXNC0000000	Orig A	SC DU 35-N 23/28 TX	C3LS008M	35	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2159244	N/A	Orig A	SC SP 15-N 7/5R	C3NS021M	15	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2159245	N/A	Orig A	SC SP 15-N 7/5R	C3NS021M	15	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2159244	N/A		SC SP 15-N 7/5R	C3YS191R, C3YS195R	15	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2159245	N/A	Orig A	SC SP 15-N 7/5R	C3YS191R, C3YS195R	15	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2159244	N/A	Orig A	SC SP 15-N 7/5R	TBD	15	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2159245	N/A	Orig A	SC SP 15-N 7/5R	TBD	15	7	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2162851	N/A	Orig A	SC SP 18-N 30/34	C3LS044M	18	30	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2162852	N/A	Orig A	SC SP 18-N 30/34	C3LS044M	18	30	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2163326	N/A	Orig A	20|1|17|7|NYLON 65|||||25 31|74 69|S	C3MS141M	20	17	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2163327	N/A	Orig A	20|1|17|7|NYLON 65|||||25 31|74 69|S	C3MS141M	20	17	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2163747	N/A	Orig A	15|1|30|34|||||||11.98|88.02|Z|	C3MS11BM	15	30	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2163748	N/A	Orig A	15|1|30|34|||||||11.98|88.02|Z|	C3MS11BM	15	30	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000039	N/A	Orig A	N 40/45 TX S	N3050940		40	46	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000040	N/A	Orig A	N 40/45 TX Z	N3050941		40	46	*	*	*	*	*	*	*	*	*	*	*	*	*	*	

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Appendix A-1 — Purchase Price

																		Clarksville		Camuy		
Hosiery SAP #	Intimates SAP #	Orig A Item	Description	Current Unifi Base Item #	Core Danier	Text Den	Text Fill	TPI	Core Supplier	Cover Supplier	Core Price	Cover Price	Core %	% Cover	“[*]”	“[*]”	Product Price	Freight	Total Price	Freight	Total Price	Notes
2164217	YN002RXNC000000	Orig A	SC 40-N 23/28 TX	C3MS140M	40	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2164218	N/A	Orig A	SC 40-N 23/28 TX	C3MS140M	40	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165039	N/A	Orig A	10|1|40|46||||||7 37|92.63||Z|	C3MS053M	10	40	45	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165040	N/A	Orig A	10|1|40|46||||||7 37|92.63||Z|	C3MS053M	10	40	46	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165147	N/A	Orig A	SC 210 1/70/34	C3LSD54M	210	70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165530	N/A	Orig A	SC 10-N2/40/34	TBD	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165530	N/A	Orig A	SC 10-N2/40/34	TBD	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165531	N/A	Orig A	SC 10-N2/40/34	TBD	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165531	N/A	Orig A	SC 10-N2/40/34	TBD	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165538	N/A	Orig A	10|2|40|34|PASTELLE||3.87|96.13|||	TBD	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2165539	N/A	Orig A	10|2|40|34|PASTELLE||3.87|96.13|||	TBD	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2167110	N/A	Orig A	30|1|15|5|||33.32|56.68||S	C3MS123M	30	15	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2167111	N/A	Orig A	30|1|15|5|||33.32|56.68||S	C3MS123M	30	15	5	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2167743	N/A	Orig A	70|1|40|34||||||30.97|69.03||Z|	C3MS123M, C3MS193M	70	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2167744	N/A	Orig A	70|1|40|34||||||30.97|69.03||Z|	C3MS128M, C3MS193M	70	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2168411	N/A	Orig A	SC 40-N 17/7 EVERSHEER	C3MS079M	40	17	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2168412	N/A	Orig A	SC 40-N 17/7 EVERSHEER	C3MS079M	40	17	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2168413		Orig A	70|1|17|7|NYLON EVERSHEER|||||53.47|46.53||S|	C3MS146M	70	17	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2168414		Orig A	70|1|17|7|NYLON EVERSHEER|||||53.47|46.53||Z|	C3MS146M	70	17	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2169448	TBD	Orig A	40 SC 1/80/92 S	C3MS089M	40	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2169449	TBD	Orig A	40 SC 1/80/92 Z	C3MS089M	40	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2169501	TBD	Orig A	40 SC 1/40/34 S	C3MS087M	40	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2169502	TBD	Orig A	40 SC 1/40/34 Z	C3MS087M	40	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000019	N/A	Orig A	N 70/34 TX S	N30S8290		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000020	N/A	Orig A	N 70/34 TX Z	N30S8291		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2167397	YN003RXNC000000	Orig A	70 SC 1/80/92 S	C3MS131M	70	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
N/A	YN003RXNC000000	Orig A	70 SC 1/80/92 S	TBD	70	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2167398	YN003SXNC000000	Orig A	70 SC 1/80/92 Z	C3MS131M	70	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
N/A	YN003SXNC000000	Orig A	70 SC 1/80/92 Z	TBD	70	80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
N/A	YN003VXNC000000	Orig A	SC 210 1/40/13	C3LSD11M	210	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2129689	YN004GXNC000000	Orig A	SC 20-N 15/7 TX	C3MS137M	20	15	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2129690	YN004HXNC000000	Orig A	SC 20-N 15/7 TX	C3MS137M	20	15	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
N/A	YN0056WHT000Z000	Orig A	N 70/34 TX Z	N30S8360		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
N/A	YN0854WHT000S000	Orig A	N 70/34 TX S	N30S8381		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000037	YN002VXNC000000	Orig A	N 70/68 TX S	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000038	YN002WXNC000000	Orig A	N 70/68 TX Z	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2117111	YN0075XNC000000	Orig A	N 70/68 TX 2	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000037	YN002VXNC000000	Orig A	N 68/68 TX S	N30S8260		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000038	YN002WXNC000000	Orig A	N 68/68 TX Z	N30S8261		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000037	YN002VXNC000000	Orig A	N 68/68 TX S	N30S8340		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2000038	YN002WXNC000000	Orig A	N 68/68 TX Z	N30S8341		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2117111	YN0075XNC000000	Orig A	N 68/68 TX 2	N30S8362		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2117111	YN0075XNC000000	Orig A	N 68/68 TX 2	TBD		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2117111	YN0075XNC000000	Orig A	N 70/68 TX 2 Full Dull	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
2117111	YN0075XNC000000	Orig A	N 70/68 TX 2 Full Dull	TBD		70	68	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	

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Appendix A-2 — Purchase Price

<table>
<tr><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th colspan="2">Clarksville</th><th colspan="2">Camuy</th><th colspan="2">La Libertad</th><th colspan="2">Mt. Airy</th></tr>
<tr><th>Hosiery SAP #</th><th>Intimates SAP #</th><th>Sock SAP #</th><th>Orig A Item</th><th>Description</th><th>Current Unifi Item #</th><th>Core Danier</th><th>Text Den</th><th>Text Fll</th><th>TPI</th><th>Core Supplier</th><th>Cover Supplier</th><th>Core %</th><th>Cover %</th><th>Product Price</th><th>Freight</th><th>Total Price</th><th>Freight</th><th>Total Price</th><th>Freight</th><th>Total Price</th><th>Freight</th><th>Total Price</th></tr>
<tr><td>2000039</td><td></td><td></td><td>Orig A</td><td>UNF N 40/46 TX S</td><td>N3050940</td><td></td><td>40</td><td>46</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td><td>“[*]”</td></tr>
<tr><td>2000040</td><td></td><td></td><td>Orig A</td><td>UNF N 40/46 TX Z</td><td>N3050941</td><td></td><td>40</td><td>46</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>2000067</td><td></td><td></td><td>Orig A</td><td>10|1|23|26||||| |12.88|87.12</td><td>C3ES154M</td><td>10</td><td>23</td><td>23</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>2000068</td><td></td><td></td><td>Orig A</td><td>10|1|23|26||||| |12.68|87.12</td><td>C3ES154M</td><td>10</td><td>23</td><td>23</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
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<tr><td>2000213</td><td></td><td></td><td>Orig A</td><td>36D DC 20/7 Flat Nylon Cover</td><td>C3E5130R</td><td>350</td><td>20</td><td>7</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
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<tr><td>2107413</td><td></td><td></td><td>Orig A</td><td>1|11|5|NYLON 6.6|SEMI DULL|STRETCH|ROUND|NON TS|NATURAL|</td><td>N3090030</td><td></td><td>11</td><td>5</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
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<tr><td>2147551</td><td></td><td></td><td>Orig A</td><td>|1|60|1||1|20|7|NYLON 65||81.64|18.36|</td><td>C3H9493J</td><td></td><td></td><td></td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
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<tr><td>2165532</td><td></td><td></td><td>Orig A</td><td>10|2|40|34|COLORWISE||3.83|96.17||</td><td>C3ES158M</td><td>10</td><td>40</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
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</table>

* 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 filed separately with the United States Securities and Exchange Commission.

Appendix A-2 — Purchase Price

<table>
<tr><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th colspan="2">Clarksville</th><th colspan="2">Camuy</th><th colspan="2">La Libertad</th><th colspan="2">Mt. Airy</th></tr>
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<tr><td></td><td>YN002ZXNC0000000</td><td></td><td>Orig A</td><td>40|1|40|34||||||20.93|79.07</td><td>C3L2151M, C3L2122M</td><td>40</td><td>40</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YN003AXNC0000000</td><td></td><td>Orig A</td><td>40|1|40|34||||||20.93|79.07</td><td>C3L2151M, C3L2122M</td><td>40</td><td>40</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YN003VXNC0000000</td><td></td><td>Orig A</td><td>210|1|40|13||||||53.76|46.24</td><td>C3ES175M</td><td>210</td><td>40</td><td>13</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>2180067</td><td>YN007QXNC0000000</td><td></td><td>Orig A</td><td>1|70|46|S Universal Novva</td><td>N3050630</td><td></td><td>70</td><td>46</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>2180065</td><td>YN007RXNC0000000</td><td></td><td>Orig A</td><td>1|70|46|Z Universal Novva</td><td>N3050631</td><td></td><td>70</td><td>46</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YND07SXNC0000000</td><td></td><td>Orig A</td><td>2|7D|46|2 PLY|NYLON</td><td>N3052542</td><td></td><td>70</td><td>45</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YND08LXNC0000000</td><td></td><td>Orig A</td><td>1/7D/34 recycled Nylon S twist</td><td>N3054520</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YND08MXNC0000000</td><td></td><td>Orig A</td><td>1/7D/34 recycled Nylon Z twist</td><td>N3054521</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YND06SXNDC0000000</td><td></td><td>Orig A</td><td>30 SC 1/11/5 Tex. 36 TPI</td><td>C3MS146M</td><td>30</td><td>11</td><td>5</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YNDO8TXNC0000000</td><td></td><td>Orig A</td><td>30 SC 1/11/5 Tex. 36 TPI</td><td>C3MS146M</td><td>30</td><td>11</td><td>5</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YNDO8XXNC0000000</td><td></td><td>Orig A</td><td>2|70|68|2PLY|ARAFELLE||NYLON 6.6|S/D|STRETCH|ROUND|TS</td><td>N3038552</td><td></td><td>70</td><td>68</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>YND09FXNC0000000</td><td></td><td>Orig A</td><td>2/70/68 Deep Dye</td><td>N3038432</td><td></td><td>70</td><td>68</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td>2250</td><td>Orig A</td><td>20|1|70|34||||||7.19|92.81||</td><td>TBD</td><td>20</td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td>|</td><td>2252</td><td>Orig A</td><td>20|2|70|34|NYLON 66|||||3.9|96.1|||</td><td>TBD</td><td>20</td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td>19130</td><td>Orig A</td><td>2/30/10 Stretch Natural Nylon</td><td>N3090562</td><td></td><td>30</td><td>10</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td>19395</td><td>Orig A</td><td>|70|34|Z TWIST|NYLON 6.6|SEMI DULL|STRETCH|ROUND|TS|NATURAL Universal</td><td>N3034991</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td>19592</td><td>Orig A</td><td>2|70|34|2 PLY|NYLON CO-POLYMER|SEMI DULL|STRETCH|ROUNDS|TS| Solution Dye black</td><td>N3051412</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td>19594</td><td>Orig A</td><td>2|70|34|2 PLY|NYLON 6.6 |SEMI DULL|| |TS| Universal FF OIL</td><td>N3033412</td><td></td><td>70</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td>19595</td><td>Orig A</td><td>2/70/68 FD Whites Only</td><td>N3010342</td><td></td><td>70</td><td>68</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td></td><td></td><td></td><td>Orig A</td><td>10|1|80|92||||| |4.06| 95.94 Unbranded</td><td>TBD</td><td>10</td><td>80</td><td>92</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>2155530</td><td></td><td></td><td>Orig A</td><td>10|2|40|34||||| |3.99|96.01 (UNF Fiber)</td><td>C3ES172M</td><td>10</td><td>40</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>2155531</td><td></td><td></td><td>Orig A</td><td>10|2|40|34||||| |3.99|96.01 (UNF Fiber)</td><td>C3ES172M</td><td>10</td><td>40</td><td>34</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td><td>*</td></tr>
</table>

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Appendix A-2 — Purchase Price

Hosiery SAP #	Intimates SAP #	Sock SAP #	Orig A Item	Description	Current Unifi Item #	Core Danier	Text Den	Text Fll	TPI	Core Supplier	Cover Supplier	Core %	Cover %	Product Price	Clarksville Freight	Clarksville Total Price	Camuy Freight	Camuy Total Price	La Libertad Freight	La Libertad Total Price	Mt. Airy Freight	Mt. Airy Total Price
			Orig A	20|1|15|7||||| |32.90|67.10| UNF	C3MS312J C3MS321J	20	15	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 20/7 TX S	TBD		20	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 20/7 TX Z	TBD		20	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 30/34 TX S & Z	N3037890/1		30	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 40/13 TX S	TBD		40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 40/13 TX Z	TBD		40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 40/13 TX 2	TBD		40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 40/34 TX S	TBD		40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 40/34 TX Z	TBD		40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 40/34 TX 2 Ply	TBD		40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 60/68 TX S	TBD		60	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 60/68 TX Z	TBD		60	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 60/68 TX 2	TBD		60	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 70/34 TX S	TBD		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 70/34 TX Z	TBD		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 70/34 TX AE 2	TBD		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 70/68 TX S	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 70/68 TX Z	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 70/68 AE 2 Full Dull	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 80/92 TX S	TBD		80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 80/92 TX Z	TBD		80	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	UNF N 15/7	TBD		15	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	1/40/34 Callonic Pastelle	TBD		40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	2|70|66|2 PLY|NYLON 6.6|SEM|DULL|STRETCH|ROUND|TS|UNF	TBD		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	1|40|34|S TWIST|NYLON 6.6|DEEP DYE SEMI DULL STRETCH|ROUND|TS|	N3038100		40	34	*	*	*	*	*	*	*	*	*	*	*		*	*
			Orig A	1|40|34|S TWIST|NYLON 6.6|DEEP DYE SEMI DULL STRETCH|ROUND|TS|	N3038101		40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	2/68/68 Textured Nylon UNF fiber	TBD		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/68/68 Textured Nylon UNF fiber	TBD		68	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Black Nylon	N3051420, N3054820		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Purple Nylon	N3053910		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Cobalt Nylon	N3053900		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Yellow Nylon	N3054150		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Tomato Nylon	N3054460		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Kelly Green Nylon	N3054470		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Melon Nylon	N3054480		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Blue Nylon	N3054500		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Aqua Nylon	N3054740		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Brown Nylon	N3054690		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2176982			Orig A	1/70/34 Dark Pink Nylon	TBD		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2178982			Orig A	1/70/34 Pink Nylon	N3054510		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN003RXN C0000000		Orig A	70|2|40|34||||| |19.67|80.33|	C3ES184M	70	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN003RSN C0000000		Orig A	70|2|40|34||||| |19.67|80.33|	C3ES184M	70	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	2/70/34 Black Twisted	T1C8721		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	2/70/34 Khaki Twisted	T1C8731		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	2/70/34 Pearl Twisted	T1C8741		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	10 SC 1/40/34 Pastelle	XCL9666M	10	40	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	1/50/92			50	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*

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Appendix A-2 — Purchase Price

Hosiery SAP #	Intimates SAP #	Sock SAP #	Orig A Item	Description	Current Unifi Item #	Core Danier	Text Den	Text Fll	TPI	Core Supplier	Cover Supplier	Core %	Cover %	Product Price	Clarksville Freight	Clarksville Total Price	Camuy Freight	Camuy Total Price	La Libertad Freight	La Libertad Total Price	Mt. Airy Freight	Mt. Airy Total Price
			New	2/50/92			50	92	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2167110			New	30|1|15|7|NYLON 66| ||| |35.98|64.02	C3MS182M	30	15	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2167111			New	30|1|15|7|NYLON 66| ||| |35.98|64.02	C3MS182M	30	15	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2150087			New	20 SC 1/40/13	C3E2194M	20	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2150088			New	20 SC 1/40/13	C3E2194M	20	40	13	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN008QXN C0000000		New	20 AC 1/20/7	C3MS322J	20	20	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN008RXN C0000000		New	20 AC 1/20/7	C3MS322J	20	20	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2177767			New	20 SC 10/7 Fusible	C3NS158M	20	10	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2177768			New	20 SC 10/7 Fusible	C3NS158M	20	10	7	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	70 SC 1/23/28	XCL9698	70	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	70 SC 1/23/28	XCL9698	70	23	28	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN009PXN C0000000		New	10 SC 1/40/34	XCE9587M	10	40	24	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN009QXN C0000000		New	10 SC 1/40/34	XCE9587M	10	40	34	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”

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Appendix A-3 — Purchase Price

Hosiery SAP #	Intimate SAP #	Sock SAP #	Orig A Item	Description	Current Unifi Base Item #	Core Denier	Text Den	Text Flt	Core Supplier	Cover Supplier	Core %	Cover %	Polymer Price	Product Price	Clarksville Freight	Clarksville Total Price	Camuy Freight	Camuy Total Price	La Libertad Freight	La Libertad Total Price	Mt. Airy Freight	Mt. Airy Total Price
		2277	Orig A	10 1/150/68 OB	C3E9364K/ C3E9689K	10	150	68	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”
		2262	Orig A	20 1/150/68 OB Unbranded Invista	C3E9664K	20	150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2262	Orig A	20 1/150/68 OB Doristan/Asahi	TBD	20	150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2264	Orig A	20 1/150/34 black Sorbtek	C3E9755K	20	150	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2292/ 2295	Orig A	20 1/150/68 OB Sorbtek	C3E9703K	20	150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2294	Orig A	20 1/150/68 AMY Sorbtek	C3E9668K	20	150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2296	Orig A	20 1/150/68 Black AMY Sorbtek	C3E9666K	20	150	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		20263	Orig A	20 1/150/68 AMY	TBD	20	150	66	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2285	Orig A	20 1/150/68 Blk AMY	TBD	20	150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		2291	Orig A	20 1/150/34 Blk Poly	TBD	20	150	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21070	Orig A	1|70|34|56T|NATURAL,STRETCH,NON TS|POLYESTER	P555783A/ P55904A		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21086/ 21078	Orig A	1/150/68 OB SORBTEK	P42011C		150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21077	Orig A	1/150/34 Sorbtek BLACK Poly	P53855A		150	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21090	Orig A	1/150/34 solution dyed black poly	P53842A		150	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN009MXNC0000000	21059	Orig A	1/70/36 Blk Poly	P55036A		70	36	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21073	Orig A	1/150/68 OB (Domestic)	P55929A		150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21073	Orig A	1/150/68 OB (El Salvador)	P55929A		150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2000062			Orig A	70/34 optical white	D041901U		70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN008EXNC0000000		Orig A	|70/58Z TWIST|CATIONIC POLYESTER|SEMI DULL|STRETCH|ROUND|TS| | — S twist	P55567A, P56218A		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN008FXNC0000000			|70/58Z TWIST|CATIONIC POLYESTER|SEMI DULL|STRETCH|ROUND|TS| | — Z twist	P55572A, P56209A		70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN008GXNC0000000			2|70|68|92T|NAT|STR|TS POLY	P55913A		70	66	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			Orig A	1|58|68|92 WD CATIONIC|POLYESTER|MTO|NATURAL|SEMI DULL|NON TS POLYESTER| 42X 30|	B10617X		58	66	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	1/70/34 Grey Poly — Logo — Intimates			70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	1/70/34 Blue Poly — Logo — Intimates			70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	1/70/34 Orange Poly — Logo — Intimates			70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	1/70/34 Green Poly — Logo — Intimates			70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
			New	1/70/34 Red Poly — Logo — Intimates			70	34	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	YN009NXNC0000000		New	1/68/68 Nylon & 1/70/68 Poly Combination yarn		70	70	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Flame Red Poly — Socks Log			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*

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Appendix A-3 — Purchase Price

Hosiery SAP #	Intimate SAP #	Sock SAP #	Orig A Item	Description	Current Unifi Base Item #	Core Denier	Text Den	Text Flt	Core Supplier	Cover Supplier	Core %	Cover %	Polymer Price	Product Price	Clarksville Freight	Clarksville Total Price	Camuy Freight	Camuy Total Price	La Libertad Freight	La Libertad Total Price	Mt. Airy Freight	Mt. Airy Total Price
		21079	New	2/150/68 Flame Red Poly — Socks Log			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Black — Poly — Socks Logo (Not commodity)			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Black — Poly — Socks Logo (Not commodity)			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Pale Grey — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Pale Grey — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Misty Grey — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Misty Grey — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Powder Pink — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Powder Pink — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Infant Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Infant Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Begonia Pink — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Begonia Pink — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Lime Sherbert — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Lime Sherbert — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Quicksilver — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Quicksilver — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Merrimack — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Merrimack — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Diablo Rust — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Diablo Rust — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Pink 14 - Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Pink 14 - Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Tickled Pink — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Tickled Pink — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Sprout — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Sprout — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Seaship Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*

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Appendix A-3 — Purchase Price

Hosiery SAP #	Intimate SAP #	Sock SAP #	Orig A Item	Description	Current Unifi Base Item #	Core Denier	Text Den	Text Flt	Core Supplier	Cover Supplier	Core %	Cover %	Polymer Price	Product Price	Clarksville Freight	Clarksville Total Price	Camuy Freight	Camuy Total Price	La Libertad Freight	La Libertad Total Price	Mt. Airy Freight	Mt. Airy Total Price
		21079	New	2/150/68 Seaship Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Off White — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Off White — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Lt Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Lt Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Royal — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Royal — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 True Green — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 True Green — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Deep Navy — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Deep Navy — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Lavendar — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Lavendar — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Orange 4 — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Orange 4 — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Graphic Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Graphic Blue — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Lt Lavendar — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Lt Lavendar — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Melon — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Melon — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Wiz Royal — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Wiz Royal — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Red 8 — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Red 8 — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21082	New	3/150/68 Maroon — Poly — Socks Logo			150	68	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		21079	New	2/150/68 Maroon — Poly — Socks Logo			150	68	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”	“[*]”

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EXHIBIT A-4

Price Adjustment Methodology

1. Current prices are set forth on Exhibit A-1.

Adjustments to pricing shall occur as follows: In “[Confidential]*” as shown on Exhibit A-1; and In “[Confidential]*” price.

Since Buyer designates the suppliers of Supplier’s raw materials for products shown on Appendix A-1 through A-3 as well as Spandex and Nylon:

If prices change, Buyer must notify Supplier as soon as possible. Supplier will then recalculate pricing on Exhibits A-1 through A-3, according to the Price Adjustment Methodology provided in Exhibit A-4.

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

If raw material designations change from those specified on Exhibit A-1, A-2 and/or A-3 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% PTA (purified terathalic acid) and 34% 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.

Based upon “[Confidential]*” figures, the base calculated polymer cost is:

The lowest MEG cost was equal to “[Confidential]*” per pound and the PTA cost was “[Confidential]*” per pound, yielding a polymer cost of “[Confidential]*” per pound.

b. Initial contract prices will be “[Confidential]*”, unless the calculated “[Confidential]*” average of polymer between “[Confidential]*” and

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"[Confidential]*" varies more than or less than "[Confidential]*" from the base of "[Confidential]*" per pound. If this occurs then the selling price will be adjusted based upon the delta between the base polymer price and the "[Confidential]*" calculate price and the adjusted price will be implemented on the first day of the "[Confidential]*".

c. Prices for "[Confidential]*" will be calculated in the "[Confidential]*".

   i. An average polymer cost will be calculated, using raw material data from "[Confidential]*". The delta between this average polymer cost and the "[Confidential]*" will be added or subtracted to the base selling prices for the polyester products on a pro rata basis.

   ii. These prices will "[Confidential]*", unless the average calculated polymer cost for months of "[Confidential]*", is greater than or less than "[Confidential]*" of the current calculated polymer cost. If this occurs then the selling price will be adjusted on the "[Confidential]*" for the following "[Confidential]*".

d. Beginning "[Confidential]*" and each subsequent "[Confidential]*", as well as for the period beginning "[Confidential]*" and each subsequent "[Confidential]*", prices will be calculated in the month prior to "[Confidential]*", based upon the following:

   i. These prices will "[Confidential]*", unless the average calculated polymer cost for months of December through "[Confidential]*" through "[Confidential]*", as applicable, is greater than or less than "[Confidential]*" of the current calculated polymer cost. If this occurs then the selling price will be adjusted on the first day of "[Confidential]*" or on the first day of "[Confidential]*", as applicable, for the following "[Confidential]*".

   ii. If the calculated polymer cost remains within the boundaries of +/- "[Confidential]*" of the current polymer cost, the selling price will be adjusted on "[Confidential]*" based upon: x) the delta between "[Confidential]*" average of calculated polymer cost for the period "[Confidential]*" or the period * [Confidential]*", as applicable; and y) the current polymer cost.

   iii. If the calculated polymer cost remains within the boundaries of +/- "[Confidential]*" of the current polymer cost for period "[Confidential]*" or the period "[Confidential]*", then the selling price will not change on "[Confidential]*".

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iv. If the calculated polymer cost has been adjusted, then the selling price will be adjusted accordingly for the subsequent period.

3. **Textured Nylon Yarns or Yarns containing Nylon**— Pass through providing support from Suppliers

- For items using “[Confidential]*”, any adjustments will be passed through to Buyer
- For items not containing “[Confidential]*”, Supplier will be the benchmark on nylon fiber market price and will provide pass through based on market price. Buyer may accept, provide an alternate sourcing strategy or provide data for Supplier to negotiate pricing.

4. **Spandex** —

- For Yarns with spandex, designated by Buyer, Supplier will pass through any price adjustments to Buyer.
- For Yarns with spandex, not specified by Buyer, “[Confidential]*” price adjustments will be the benchmark for other spandex adjustments. (If “[Confidential]*” doesn’t change, no other supplier should change within reason).

5. **Freight**

a. Freight price will be added to quoted price on Appendix A-1, A-2 and A-3 based upon current freight quotes

b. El Salvador — Socks

i. “[Confidential]*” — 40HC — “[Confidential]*” La Libertad

ii. “[Confidential]*” — 45HC — “[Confidential]*” La Libertad

iii. 40HC — Polyester

iv. 45HC — Covered products / nylon products

c. Mt. Airy — “[Confidential]*” / Load, delivered

d. Woolwine — “[Confidential]*” / Load, delivered

e. Clarksville — “[Confidential]*”/ 48 foot trailer, delivered

f. Puerto Rico — DDP

i. 45HC — “[Confidential]*”

ii. 40HC — “[Confidential]*”

iii. Delivered to Camuy

iv. “[Confidential]*” Day Ocean Freight transit time, estimate

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g. Winston Salem — Weeks Plant — Samples — “[Confidential]*”

h. Bonaventure — delivered to Weeks Plant in Winston Salem — “[Confidential]*” / shipment

i. All freight is based on Full Loads

j. Samples

    i. For plant — Will add freight price to product price

k. LTL shipments — Price will be adjusted based on supplied quote

l. Air freight

    1. New orders to meet Buyer’s deadlines or increase in demand— responsibility—Buyer

m. Freight prices will adjust based on supplied quotes. Passed through either way, if adjusted price = “[Confidential]*”

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EXHIBIT B

Designated Representatives

Hanesbrands, Inc.

Gerald Evans
President, International Business and Global Supply Chain
1000 East Hanes Mill Road
Winston-Salem, North Carolina 27105
Telephone: (336) 519-4780
Telecopy: (336) 519-0769
Electronic Mail: gerald.evans@hanesbrands.com

Unifi Manufacturing, Inc.

Roger Berrier
Executive Vice President — Sales, Marketing
and Asian Operations
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 6th day of November, 2009 (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**”), 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 November 6, 2009 (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.

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"), except for items agreed upon by the parties, that Supplier will hold for a maximum of "[Confidential]*" from 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]*" and "[Confidential]*" maximums are 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, except for items agreed upon by the parties, that Supplier will hold 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. The Target Inventory Level ("**TIL**") is the inventory level, in pounds, of Replenishment Items that Supplier will maintain during the term of the Supply Agreement. The TIL will take into account several variables including, but not limited to: (a) Supplier's average lead time to produce and deliver Replenishment Items to the designated Facility; (b) HBI's average consumption rate for such Replenishment Items at the applicable Facility; and (c) the Safety Stock Level. The "**Safety Stock Level**" is the inventory cushion or amount of inventory that Supplier will use its commercially reasonable efforts to maintain to serve as inventory reserves for use in the event that a designated Facility consumes Replenishment Items at a rate greater than such Facility's average monthly consumption rate, before the Supplier is required to produce more of such Replenishment Item. The Safety Stock Level and TIL shall be set, periodically reviewed and adjusted by mutual agreement between HBI and Supplier.

5. When the inventory of a Replenishment Item drops below the TIL, Supplier shall schedule more production of such Replenishment Item to be completed in a time frame that is customary for the applicable Replenishment Item (the "Replenishment Period").

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The amount of production scheduled by Supplier is within the sole discretion of Supplier, provided that such production amount should be sufficient to bring the Replenishment Item to an inventory level equal to the agreed upon TIL within the Replenishment Period. Supplier shall use its commercially reasonable efforts to ensure that the inventory level of the Replenishment Items within its SMI Warehouse shall not routinely drop below the Safety Stock Level. Supplier understands the importance of the Objectives and will use its commercially reasonable efforts to meet the Objectives.

6. HBI shall designate a team of its personnel (the "**Material Planning Group**") to work with Supplier and agree mutually with Supplier upon a TIL for each of the Replenishment Items. The guidance of the Material Planning Group shall be provided on a short-term basis, not to exceed twelve (12) months from the date of this Agreement (the "MPG Introductory Period"), during which period Supplier should work to develop historical data and a working knowledge of how each Replenishment Item is used within the HBI manufacturing process so that Supplier can determine and project its own TIL, which will be agreed upon, mutually.

7. Following expiration of the MPG Introductory Period, the Supplier will be responsible for making TIL projections. Each TIL will be agreed upon by HBI and Supplier.

8. Supplier will attend, in person or by conference call, weekly meetings at specified times, as agreed upon by HBI and Supplier (the "**Weekly Meetings**"). The Weekly Meetings will be directed by the regional Vendor Account Manager ("**VAM**") assigned to Supplier's account and will be attended by those members of the Material Planning Group who are local to the area and are assigned to the applicable Replenishment Item. The objective of the Weekly Meetings will be to provide Supplier with available information to guide the amount of each Replenishment Item TIL maintained by Supplier for consumption by HBI, including: (a) production schedules; (b) changes in demand; (c) the occurrence of any promotional activity; (d) any "end of life" or obsolescence event for any Replenishment Item; and (e) historical consumption data by vendor SKU.

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. Supplier will provide HBI with a weekly report, in a mutually agreeable format, indicating inventory levels maintained by Supplier within the SMI Warehouse (the "**Weekly Inventory Report**"). Supplier will provide the Weekly Inventory Report to the VAM during the Weekly Meetings. At a minimum, the Weekly Inventory Report will include: (a) the actual amount of inventory of each of the Replenishment and Commitment Items; (b) a brief description of the Replenishment and Commitment Items; (c) the agreed TIL requirement for all Product inventory; (d) the Safety Stock Level for all Product inventory; (e) a listing of all work in process (“**WIPs**”) related to Replenishment and Commitment Items; and (f) total finished goods inventory for each Replenished Item, or Commitment Item, as the case may be, that is included in the Supplier SMI program.

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, except for items that the parties have or may agree that Supplier will hold for a maximum of “[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 other reasonable arrangements to utilize Supplier’s remaining inventory of the Replenishment or Commitment Items. This remaining inventory will be equal to the TIL less the amount of the Replenishment or Commitment Items consumed following notification of an “end of life” event, provided however with regard to specific products and quantities as determined and agreed upon by the parties, Buyer shall purchase all inventory pertaining to such product in the supply chain “[Confidential]*”.

13. In the event of obsolescence or other “end of life” event of a Replenishment Item, HBI shall purchase the remaining inventory only when there are no alternative reasonable and acceptable disposal methods available, including resale or recycling. The last approved TIL prior to notification of an obsolescence or other “end of life” event represents the maximum amount of such Replenishment or Commitment Item that HBI will purchase from Supplier, provided however with regard to specific products and quantities as determined and agreed upon by the parties, Buyer shall purchase all inventory pertaining to such products in the supply chain (raw in reasonable amounts, WIP, finished and any other designation). Notwithstanding the foregoing, HBI commits to purchase all inventories that are not consumed from the SMI Warehouse location within “[Confidential]*” from the Pack Date, except for items that the parties have or may agree that Supplier will hold for a maximum of “[Confidential]*” from the Pack date. All Obsolete Inventory shall be tracked and Supplier shall provide Buyer with a monthly report of aged inventory for each product that attains an SMI Warehouse age of at least “[Confidential]*”.

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

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Buyer's obligations to consume or purchase Supplier's products as hereinbefore set forth (end of life, obsolescence, Commitment Items, TIL or otherwise).

16. The following schedule sets forth for certain products to be supplied by Supplier to Buyer, Pack Date Exceptions, Supply Chain Liability and Agreed TILS, as those matters are addressed in this Agreement.

Code	SAP #	Description	Pack Date Exceptions "[*]"	"[*]"	UMI Proposed TIL	HBI Proposed TIL	Agreed TIL
YN002IXNC0000000	2000008	N 20/7 TX S			"[*]"	"[*]"	"[*]"
	2000009	N 20/7 TX Z			*	*	*
YN004IXNC0000000	2000013	N 40/13 TX S			*	*	*
YN004JXNC0000000	2000014	N 40/13 TX Z			*	*	*
	2000019	N 70/34 TX S			*	*	*
	2000020	N 70/34 TX Z			*	*	*
YN004CXNC0000000	2000033	N 40/34 TX S			*	*	*
YN004DXNC0000000	2000034	N 40/34 TX Z			*	*	*
YN002VXNC0000000	2000037	N 68/68 TX S			*	*	*
YN002WXNC0000000	2000038	N 68/68 TX Z			*	*	*
	2000039	N 40/46 TX S			*	*	*
	2000040	N 40/46 TX Z			*	*	*
	2000062	FF 70/34 TX			*	*	*
	2000067	SC SP 10-N 23/28 TX S 33	X		*	*	*
	2000068	SC SP 10-N 23/28 TX Z 33	X		*	*	*
	2000085	SC SP 10-N 40/34 TX S			*	*	*
	2000086	SC SP 10-N 40/34 TX Z			*	*	*
	2000087	SC SP 70-N 40/13 TX S 10			*	*	*
	2000088	SC SP 70-N 40/13 TX Z 10			*	*	*
	2000093	SC SP 70-N 70/34 TX S 20			*	*	*
	2000094	SC SP 70-N 70/34 TX Z 20			*	*	*
	2000109	SC SP 20-N 70/34 TX S 15			*	*	*
	2000110	SC SP 20-N 70/34 TX Z 15			*	*	*
YN002LXNC0000000	2000114	SC SP 20-N 40/34 TX S 16			*	*	*
YN002MXNC0000000	2000115	SC SP 20-N 40/34 TX Z 16			*	*	*
	2000116	AC SP 20-N 70/34 TX S			*	*	*
	2000117	AC SP 20-N 70/34 TX Z			*	*	*
YN005UXNC0000000	2000151	SC SP 70-N 20/7 TX S 34			*	*	*
YN005VXNC0000000	2000152	SC SP 70-N 20/7 TX Z 34			*	*	*
	2000171	SC SP 15-N 14/10 TX S 44		X	*	*	*
	2000172	SC SP 15-N 14/10 TX Z 44		X	*	*	*
	2000178	SC SP 70-N 20/7 TX S 21			*	*	*
	2000179	SC SP 70-N 20/7 TX Z 21			*	*	*
YN004AXNC0000000	2000196	SC SP 140-N 40/34 TX S 20			*	*	*
YN004BXNC0000000	2000197	SC SP 140-N 40/34 TX Z 20			*	*	*
	2000204	SC SP 20-N 10/7 R S 44			*	*	*
	2000205	SC SP 20-N 10/7 R Z 44			*	*	*
	2000211	BY 70 DK-/			*	*	*
	2000235	Polypropylene Marker Yarn		X	*	*	*
	2000258	N 70/34 TX AE 2			*	*	*
	2000296	SC SP 20-N 11/5 TX S 38	X		*	*	*
	2000297	SC SP 20-N 11/5 TX Z 38	X		*	*	*
	2000300	SC SP 10-N 7/5 R S 44	X	X	*	*	*
	2000301	SC SP 10-N 7/5 R Z 44	X	X	*	*	*
YN001SXNC0000000	2100000	SC SP 40-N 20/7 TX S 38			*	*	*
YN001TXNC0000000	2100001	SC SP 40-N 20/7 TX Z 38			*	*	*
YN0064XNC0000000	2101635	N 40/34 TX 2			*	*	*
	2107413	NI 11/5 TX SD S	X		*	*	*
	2107414	NI 11/5 TX SD Z	X		*	*	*
YN003MXNC0000000	2116274	SC SP 70-N 40/34 TX S 29			*	*	*
YN003NXNC0000000	2116275	SC SP 70-N 40/34 TX Z 29			*	*	*
	2121154	DC SP 20-N 5/4 R	X	X	*	*	*
	2123162	DC SP 20-N 7/5 R	X	X	*	*	*

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Code	SAP #	Description	Pack Date Exceptions “[*]”	“[*]”	UMI Proposed TIL	HBI Proposed TIL	Agreed TIL
	2129687	SC SP 20-N 7/5 R S 62	X	X	*	*	*
	2129688	SC SP 20-N 7/5 Z 62	X	X	*	*	*
YN004GXNC0000000	2129689	SC SP 20-N 15/7 TX S 36			*	*	*
YN004HXNC0000000	2129690	SC SP 20-N 15/7 TX Z 36			*	*	*
	2151953	DC SP 40-N 10/7 R 34	X		*	*	*
	2154303	SC SP 140-N 40/13 TX S 20			*	*	*
	2154304	SC SP 140-N 140/13 TX Z 20			*	*	*
	2159244	SC MO 15-N 7/5 R S 55		X	*	*	*
	2159245	SC MO 15-N 7/5 R Z 55		X	*	*	*
	2162861	SC SP 18-N 30/34 TX S 24		X	*	*	*
	2162862	SC SP 18-N 30/34 TX Z 24		X	*	*	*
	2163747	SC SP 15-N 30/34 TX S 24			*	*	*
	2163748	SC SP 15-N 30/34 TX Z 24			*	*	*
	2164217	SC SP 40-N 23/28 TX S 38			*	*	*
	2164218	SC SP 40-N 23/28 TX Z 38			*	*	*
	2165509	N 100/34 TX 2	X		*	*	*
	2165529	N 40/34 TX CW 2		X	*	*	*
	2165530	SC SP 10-N 40/34 TX SD 2 S			*	*	*
	2165531	SC SP 10-N 40/34 TX SD 2 Z			*	*	*
	2165532	SC SP 10-CW 40/34 TX 2 S		X	*	*	*
	2165537	SC SP 10-CW 40/34 TX 2 Z		X	*	*	*
	2167743	SC SP 70-N 40/34 TX S 10			*	*	*
	2167744	SC SP 70-N 40/34 TX Z 10			*	*	*
	2172970	N 50/40 TX 2			*	*	*
YN003FXNC0000000	2174180	AC DU 20-N 40/34 TX S			*	*	*
YN003GXNC0000000	2174181	AC DU 20-N 40/34 TX Z			*	*	*
	2174182	AC SP 70-N 40/34 TX S			*	*	*
	2174183	AC SP 70-N 40/34 TX Z			*	*	*
	2176467	AC SP 15-N 14/10 TX S		X	*	*	*
	2176469	AC SP 15-N 14/10 TX Z		X	*	*	*
YN009CXNC0000000	2176963	SC SP 70-N 26/20 R S 35		X	*	*	*
YN009DXNC0000000	2176964	SC SP 70-N 26/20 R Z 35		X	*	*	*
	2177767	SC SP 20-N 10/7 R S 36		X	*	*	*
	2177768	SC SP 20-N 10/7 R Z 36		X	*	*	*
	2177887	SC SP 20-N 50/92 TX S 16		X	*	*	*
	2177888	SC SP 20-N 50/92 TX Z 16		X	*	*	*
	2178982	N N 70/34 TX DY S			*	*	*
	YN002ZXNC0000000	SC 40/40/34 “S” YARN XNC 00000 00			*	*	*
	YN003AZXNC0000000	SC 40/40/34 “Z” YARN XNC 00000 00			*	*	*
	YN003RZXNC0000000	70 SC 2x40/34 “S” TWI XNC 00000 00	X		*	*	*
	YN3SZXNC000000000	70 SC 2x40/34 “Z” TWI XNC 00000 00	X		*	*	*
	YN003VZXNC0000000	210 SC 40/13 “Z” TWIS XNC 00000 00	X		*	*	*
	YN006TBBE0000000	BCKR 1/70/36 POLYPROPY BBE 00000 00		X	*	*	*
	YN0075ZXNC0000000	2 X 68/68 HNF nylon XNC 00000 00			*	*	*
	YN007EZXNC0000000	2 X 40/34 PASTELLE/CA XNC 00000 00		X	*	*	*
	YN007FZXNC0000000	Becker 1/7/34 Old Gra XNC 00000 00		X	*	*	*
	YN007MZXNC0000000	BECKER 1/70/34 BLACK P XNC 00000 00			*	*	*

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Code	SAP #	Description	Pack Date Exceptions "[*]"	"[*]"	UMI Proposed TIL	HBI Proposed TIL	Agreed TIL
	YN007QZXNC0000000	UNIFI 1/70/46 NYLON NO XNC 00000 00			*	*	*
	YN007RZXNC0000000	UNIFI 1/70/46 NYLON NO XNC 00000 00			*	*	*
	YN007SZXNC0000000	UNIFI 2/70/46 NYLON NO XNC 00000 00			*	*	*
	YN007VZXNC0000000	UNIFI 20 AC 15/7 "S" XNC 00000 00			*	*	*
	YN007WZXNC0000000	UNIFI 20 AC 15/7 "Z" XNC 00000 00			*	*	*
	YN008EZXNC0000000	1/70/68 Cat Poly S Str XNC 00000 00			*	*	*
	YN008FZXNC0000000	1/70/68 Cat Poly Z Str XNC 00000 00			*	*	*
	YN008LZXNC0000000	70/34 S twist Recycle XNC 00000 00	X		*	*	*
	YN008MZXNC0000000	70/34 Z twist Recycle XNC 00000 00	X		*	*	*
	YN008SZXNC0000000	30 SC 11/5 S-TWIST UNIX NC 00000 00			*	*	*
	YN008TZXNC0000000	30 SC 11/5 Z-TWIST UNIX NC 00000 00			*	*	*
	YN008XZXNC0000000	2 X 70/68 ARAFELLE XNC 00000 00		X	"[*]"	"[*]"	"[*]"

Definitions:

Unifi Proposed TIL — amount of Finished Goods inventory to support the Supply Chain and meet estimated minimum production runs as proposed by Unifi

HBI Proposed TIL — amount of Finished goods inventory to support the Supply Chain as calculated by HBI Material Planning Group through HBI TIL calculator.

Agreed TIL — amount UMI will hold as a Finished goods TIL as of the date of this Agreement. Equals "HBI Proposed TIL" less HBI inventory as of "[Confidential]*".

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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.

"Supplier"

Unifi Manufacturing, Inc.

By: ______________________________

Roger Berrier, Executive Vice President — Sales, Marketing and Asian Operations

"HBI"

HANESBRANDS INC.

By: ______________________________

Gerald Evans, President, International Business and Global Supply Chain

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, Ft. Payne, Alabama
5. Finished Goods Warehouse, Compton, California
6. Warp Development Company Warp Draw facility, Monroe, North Carolina
7. Finished Goods Warehouse to be located in “[Confidential]*”
8. Warehouse/Production Facility to be located in El Salvador

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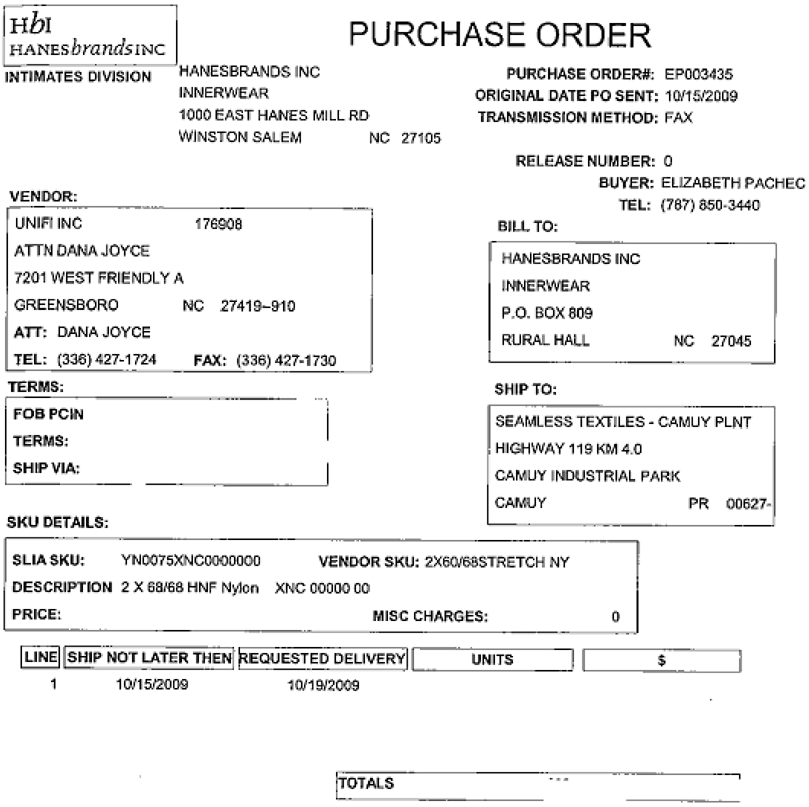
EXHIBIT E

Sample Purchase Order


HBI HANESbrandsINC

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 %	-.25%	+.50%
Density	+/-.02	

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.

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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., skinners) 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.

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William L. Jasper, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 5, 2010

/s/ WILLIAM L. JASPER
William L. Jasper
President and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ronald L. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 5, 2010

/s/ RONALD L. SMITH
Ronald L. Smith
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Unifi, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended December 27, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William L. Jasper, President 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: February 5, 2010

By: /s/ WILLIAM L. JASPER
William L. Jasper
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Unifi, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended December 27, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald L. Smith, Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2010

By: /s/ RONALD L. SMITH
Ronald L. Smith
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)