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

FORM 8-K

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

Date of Report (Date of earliest event reported): July 25, 2006

UNIFI, INC.

(Exact name of registrant as specified in its charter)

New York
(State of Incorporation)

1-10542
(Commission File Number)

11-2165495
(IRS Employer Identification No.)

**7201 West Friendly Avenue
Greensboro, North Carolina 27410**
(Address of principal executive offices, including zip code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On July 25, 2006, Unifi, Inc. (the “Company”) entered into Change of Control Agreements (the “Agreements”) with R. Roger Berrier, Jr., the Company’s Vice President of Commercial Operations, and William L. Jasper, the Company’s Vice President of Sales (each, an “Officer” and collectively, the “Officers”). The Agreements provide that if the Officer’s employment is terminated involuntarily, other than by death or disability or cause, or voluntarily, other than for good reason, after a change in control of the Company, the Officer will receive certain benefits. The present value of the benefits will be 2.99 times the average of such Officer’s annual taxable compensation paid during the five (5) calendar years (or the period of such Officer’s employment with the Company if the Officer has been employed with the Company for less than five calendar years) preceding the change of control of the Company, limited to the amount deductible by the Company and as may be subject to excise taxes under the Internal Revenue Code, all as determined by the Company’s independent certified public accountants, whose decision shall be binding upon the Company and such Officer. These benefits will be paid to the Officer in equal installments over a twenty-four (24) month period.

A change of control is deemed to occur if, among other things, (i) there shall be consummated any consolidation or merger of the Company or the sale of all or substantially all of the assets of the Company, (ii) the Shareholders of the Company have approved any plan or proposal for the liquidation or dissolution of the Company, (iii) any person acquires twenty percent (20%) or more of the outstanding voting stock of the Company, or (iv) if there is a change in the majority of Directors under specified conditions within a two (2) year period.

A copy of each of the Agreements is attached hereto as **Exhibits 10.1 and 10.2** and incorporated herein by reference.

On July 25, 2006, the Company entered into an employment agreement (the “Employment Agreement”) with William M. Lowe, Jr., the Company’s Vice President, Chief Financial Officer and Chief Operating Officer. The Employment Agreement provides for a rolling three (3) year term which is automatically extended on a day by day basis until such date as either the Company or Mr. Lowe shall terminate the automatic extensions by providing proper notice to the other. Under the terms of the agreement, Mr. Lowe will receive an annual base salary of at least \$550,000, plus any other additional compensation or bonuses in the discretion of the Compensation Committee (the “Compensation Committee”) of the Board of Directors of the Company (the “Board”). In addition, Mr. Lowe and his eligible family members are entitled to participate in any benefit plans and other benefits as are offered to other senior executives of the Company on terms no less favorable than offered to such other executives.

A copy of the Employment Agreement is attached hereto as **Exhibit 10.3** and incorporated herein by reference.

On July 26, 2006, the Company established an unfunded supplemental retirement plan known as the Unifi, Inc. Supplemental Key Employee Retirement Plan (the “Plan”) for a select group of management employees for the purpose of providing supplemental retirement benefits. Participants in the Plan are those employees of the Company or its subsidiaries who are determined to be participants in the Plan by the Compensation Committee in its sole and exclusive discretion.

The Plan provides for an initial credit to each participant's account equal to three (3) times the product of the participant's base salary for the 2005 calendar year multiplied by the participant's SERP Credit Percentage (8 1/2 % of the annual base salary for officers of the Company and 5 1/2 % of the annual base salary for participants who are not officers of the Company). Thereafter, as of the end of each calendar year, each participant's account shall be credited with an amount equal to the product of such participant's base salary for such calendar year multiplied by the participant's applicable SERP Credit Percentage. Each participant's account will be adjusted as if the balance in such account had been invested in the stocks that make up the Standard & Poor's 500 Index in the same proportion as their respective weighting therein. Upon a participant's termination of employment with the Company, the participant shall be entitled to receive the amount credited to such participant's account in a single lump sum payable six months after the participant's termination of employment with the Company, except in the event that the participant's termination is due to death or disability, in which case the participant or the participant's designated beneficiary, as applicable, shall immediately be entitled to such payout.

The Company may establish a trust for the purpose of accumulating assets which may be used by the Company to satisfy some or all of its obligations to provide benefits to participants under the Plan; provided that the assets of such trust shall remain the exclusive property of the Company and shall be available to pay creditor claims of the Company in the event of bankruptcy.

A copy of the Plan is attached hereto as **Exhibit 10.4** and incorporated herein by reference.

On July 26, 2006, the Compensation Committee granted incentive stock options to purchase shares of the Company's common stock (the "Options") to the following officers in the amounts indicated: Brian R. Parke (300,000), William M. Lowe, Jr. (100,000), R. Roger Berrier, Jr. (65,000), Thomas H. Caudle, Jr. (65,000), William L. Jasper (65,000), Benny L. Holder (65,000) and Charles F. McCoy (65,000) (collectively, the "Optionees"). The Options were granted under the 1999 Unifi, Inc. Long Term Incentive Plan which has been approved by the Company's shareholders, a copy of which has been previously filed by the Company. The Options were granted at an exercise price of \$2.89 per share, the fair market value of the Company's common stock on the grant date, and expire not later than ten (10) years from the grant date. With the exception of the Options granted to Mr. Parke, which were fully vested upon grant, and subject to various conditions, the Options vest in one-third increments on the grant date and the two succeeding anniversary dates of the grant date. In connection with these grants, each of the Optionees has entered into an option agreement with the Company (each, an "Option Agreement") with substantially identical terms. The term "fair market value" is defined in each Option Agreement as the average of the high and low prices of the Company's common stock as reported on the New York Stock Exchange on the grant date.

A copy of the form of Option Agreement is attached hereto as **Exhibit 10.5** and incorporated herein by reference.

ITEM 5.03. AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR.

On July 26, 2006, the Board adopted an amendment to the Company's Restated Certificate of Incorporation, which changes the post office address to which the Secretary of State shall mail a copy of any process against the Company served upon the Secretary of State.

Article FIFTH of the Company's Restated Certificate of Incorporation was amended and restated in its entirety to read as follows:

FIFTH: The Secretary of State is designated as the agent of the Corporation upon whom process against it may be served, and the post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is Michael A. Buxbaum, Esq., Lowenstein Sandler PC, 1251 Avenue of the Americas, New York, New York 10020.

A copy of the Certificate of Change to the Certificate of Incorporation of Unifi, Inc. is attached hereto as **Exhibit 3.1** and incorporated herein by reference.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
3.1	Certificate of Change to the Certificate of Incorporation of Unifi, Inc.
10.1	Change of Control Agreement between Unifi, Inc. and R. Roger Berrier, Jr., effective July 25, 2006.
10.2	Change of Control Agreement between Unifi, Inc. and William L. Jasper, effective July 25, 2006.
10.3	Employment Agreement between Unifi, Inc. and William M. Lowe, Jr., effective July 25, 2006.
10.4	Unifi, Inc. Supplemental Key Employee Retirement Plan, effective July 26, 2006.
10.5	Form of Option Agreement for Incentive Stock Options granted under the 1999 Unifi, Inc. Long Term Incentive Plan.

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 hereunto duly authorized.

UNIFI, INC.

By: /s/ Charles F. McCoy

Charles F. McCoy

Vice President, Secretary and General Counsel

Dated: July 31, 2006

INDEX TO EXHIBITS

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10.4	Unifi, Inc. Supplemental Key Employee Retirement Plan effective, July 26, 2006.
10.5	Form of Option Agreement for Incentive Stock Options granted under the 1999 Unifi, Inc. Long Term Incentive Plan.

CERTIFICATE OF CHANGE OF UNIFI, INC.

Under Section 805-A of the Business Corporation Law

Filed by:

Lowenstein Sandler PC
1251 Avenue of the Americas
New York, New York 10020
(212) 262-6700

CERTIFICATE OF CHANGE OF UNIFI, INC.

Under Section 805 of the Business Corporation Law

The undersigned hereby certifies as follows:

FIRST: The name of the Corporation is UNIFI, INC. (the "Corporation").

SECOND: The Certificate of Incorporation of the Corporation was filed with the New York State Department of State on January 8, 1969, under the name Automated Environmental Systems, Inc.

THIRD: Article FIFTH of the Certificate of Incorporation of the Corporation is hereby amended to change the post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him, and to effectuate said change, Article FIFTH of the Certificate of Incorporation of the Corporation is hereby changed to read in its entirety as follows:

"FIFTH: The Secretary of State is designated as the agent of the Corporation upon whom process against it may be served, and the post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is Michael A. Buxbaum, Esq., Lowenstein Sandler PC, 1251 Avenue of the Americas, New York, New York 10020."

FOURTH: The foregoing amendment was authorized by the Board of Directors of the Corporation at a meeting duly convened and held.

IN WITNESS WHEREOF, this Certificate of Change has been subscribed this 27th day of July, 2006 by the undersigned, who each hereby affirm under penalties of perjury that the statements made herein are true.

/s/ BRIAN R. PARKE

Name: Brian R. Parke

Title: Chairman, C.E.O. & President

/s/ CHARLES F. MCCOY

Name: Charles F. McCoy

Title: Secretary

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT (“Agreement”) between **UNIFI, INC.**, a New York Corporation (the “Company”), and R. Roger Berrier, Jr. (“Executive”) effective the 25th day of July, 2006 (the “Effective Date”).

WITNESSETH:

WHEREAS, The Executive is the Vice President of Commercial Operations of the Company and is considered as an integral part of the Company’s management; and

WHEREAS, the Company’s Board of Directors (hereinafter sometimes referred to as the “Board”) considers the establishment and maintenance of a sound and vital management to be essential in protecting and enhancing the best interests of the Company and its Shareholders, recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its Shareholders; and

WHEREAS, the Executive desires that in the event of any Change in Control he will continue to have the responsibility and status he has earned; and

WHEREAS, the Board has determined that it is appropriate to reinforce and encourage the continued attention and dedication of the Executive, as a member of the Company’s management, to his assigned duties without distraction in potentially disturbing circumstances arising from the possibility of a Change in Control of the Company.

NOW, THEREFORE, in order to induce the Executive to remain in the employment of the Company and in consideration of the Executive agreeing to remain in the employment of the Company, subject to the terms and conditions set out below, the Company agrees it will pay such amount, as provided in Section 4 of this Agreement, to the Executive, if the Executive’s employment with the Company terminates under one of the circumstances described herein following a Change in Control of the Company, as herein defined.

Section 1. Term: This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the earliest of (i) November 1, 2008 if a Change in Control of the Company has not occurred within such period; (ii) the termination of the Executive’s employment with the Company based on Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)), Cause (as defined in Section 3(d)) or by the Executive other than for Good Reason (as defined in Section 3(e)); and (iii) two years from the date of a Change in Control of the Company if the Executive has not voluntarily terminated his employment for Good Reason as of such time.

Section 2. Change in Control: No compensation shall be payable under this Agreement unless and until (a) there shall have been a Change in Control of the Company, while the Executive is still an employee of the Company and (b) the Executive's employment by the Company thereafter shall have been terminated in accordance with Section 3. For purposes of this Agreement, a Change in Control of the Company shall be deemed to have occurred if: (i) there shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving legal entity or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock of the surviving company immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (ii) the shareholders of the Company approved any plan or proposal for the liquidation or dissolution of the Company; or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Company's outstanding Common Stock; or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's Shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.

Section 3. Termination Following Change in Control: (a) If a Change in Control of the Company shall have occurred while the Executive is still an employee of the Company, the Executive shall be entitled to the compensation provided in Section 4 upon the subsequent termination of the Executive's employment with the Company by the Executive voluntarily for Good Reason or by the Company unless such termination by the Company is as a result of (i) the Executive's Death, (ii) the Executive's Disability (as defined in Section (3)(b) below); (iii) the Executive's Retirement (as defined in Section 3(c) below); (iv) the Executive's termination by the Company for Cause (as defined in Section 3(d) below); or (v) the Executive's decision to terminate employment other than for Good Reason (as defined in Section 3(e) below).

(b) Disability: If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties with the Company on a full-time basis for one hundred twenty (120) consecutive days or a period of one hundred eighty (180) days within twelve (12) consecutive months (including days before and after the change of control) and within 30 days after written notice of termination is thereafter given by the Company the Executive shall not have returned to the full-time performance of the Executive's duties, the Company may terminate this Agreement for "Disability."

(c) Retirement: The term “Retirement” as used in this Agreement shall mean termination in accordance with the Company’s retirement policy or any arrangement established with the consent of the Executive.

(d) Cause: The Company may terminate the Executive’s employment for Cause. For purposes of this Agreement only, the Company shall have “Cause” to terminate the Executive’s employment hereunder only on the basis of fraud, misappropriation or embezzlement on the part of the Executive or malfeasance or misfeasance by said Executive in performing the duties of his office, as determined by the Board. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been a meeting of the Board (after at least ten (10) days written notice to the Executive and an opportunity for the Executive to be heard before the Board), and the delivery to the Executive of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of said Board of Directors stating that in the good faith opinion of the Board the Executive was guilty of conduct set forth in the second sentence of this Section 3(d) and specifying the particulars thereof in detail.

(e) Good Reason: The Executive may terminate the Executive’s employment for Good Reason at any time during the term of this Agreement. For purposes of this Agreement “Good Reason” shall mean any of the following (without the Executive’s express written consent):

(i) the assignment to the Executive by the Company of duties inconsistent with the Executive’s position, duties, responsibilities and status with the Company immediately prior to a Change in Control of the Company; or a change in the Executive’s titles or offices as in effect immediately prior to a Change in Control of the Company; or any removal of the Executive from or any failure to reelect the Executive to any of the positions held prior to the Change of Control, except in connection with the termination of his employment for Disability, Retirement, or Cause, or as a result of the Executive’s Death; or by the Executive other than for Good Reason;

(ii) a reduction by the Company in the Executive’s base salary as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company’s failure to increase (within 12 months of the Executive’s last increase in base salary) the Executive’s base salary after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the average percentage increase in base salary for all executive officers of the Company effected in the preceding 12 months;

(iii) any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, the Company’s 401(k) Plan, group life insurance plan and medical, dental, accident and disability plans) in which the Executive is participating at the time of a Change in Control of the Company (or any

other plans providing the Executive with substantially similar benefits) (hereinafter referred to as “Benefit Plans”), or the taking of any action by the Company which would adversely affect the Executive’s participation in or materially reduce the Executive’s benefits under any such Benefit Plan or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of a Change in Control of the Company;

(iv) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including, without limitation, Stock Option Plans or any other plan or arrangement to receive and exercise stock options, restricted stock or grants thereof) in which the Executive is participating at the time of a Change in Control of the Company (or plans or arrangements providing him with substantially similar benefits) (hereinafter referred to as “Securities Plans”) and the taking of any action by the Company which would adversely affect the Executive’s participation in or materially reduce the Executive’s benefits under any such Securities Plan;

(v) any failure by the Company to continue in effect any bonus plan, automobile allowance plan, or other incentive payment plan in which the Executive is participating at the time of a Change in Control of the Company, or said Executive had participated in during the previous calendar year;

(vi) a relocation of the Company’s principal executive offices to a location outside of North Carolina, or the Executive’s relocation to any place other than the location at which the Executive performed the Executive’s duties prior to a Change in Control of the Company, except for required travel by the Executive on the Company’s business to an extent substantially consistent with the Executive’s business travel obligations at the time of a Change in Control of the Company;

(vii) any failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled at the time of a Change in Control of the Company;

(viii) any breach by the Company of any provision of this Agreement;

(ix) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or

(x) any purported termination of the Executive’s employment which is not made pursuant to a Notice of Termination satisfying the requirements of Section 3(f).

(f) Notice of Termination: Any termination by the Company pursuant to Section 3(b), 3(c) or 3(d) shall be communicated by a Notice of Termination. For purposes of this Agreement, a “Notice of Termination” shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of

the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) **Date of Termination:** "Date of Termination" shall mean (a) if Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30 day period) or (b) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given to the Executive by the Company the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual agreement by the parties or otherwise or (c) the date the Executive notifies the Company in writing that he is terminating his employment and setting forth the Good Reason (as defined in Section 3(e)).

Section 4. Severance Compensation upon Termination of Employment. If the Company shall terminate the Executive's employment other than pursuant to Section 3(b), 3(c) or 3(d) or if the Executive shall voluntarily terminate his employment for Good Reason, then the Company shall pay to the Executive as severance pay an amount equal to 2.99 times the annualized aggregate annual compensation paid to the Executive by the Company or any of its subsidiaries during the five (5) calendar years (or the period of the Executive's employment with the Company if the Executive has been employed with the Company for less than five calendar years) preceding the Change in Control of the Company in twenty-four equal monthly installments beginning on the regular payroll date for salaried employees of the Company in the month of the Executive's Date of Termination; provided, however, that if the severance payment under this Section 4, either alone or together with other payments which the Executive has the right to receive from the Company, would constitute a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4 being subject to the excise tax imposed by Section 4999 of the Code. The determination of any reduction in the lump sum severance payment under this Section 4 pursuant to the foregoing proviso shall be made by the Company's Independent Certified Public Accountants, and their decision shall be conclusive and binding on the Company and the Executive.

Section 5. No Obligation to Mitigate Damages; No Effect on Other Contractual Rights: (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's rights under any employment agreement or other contract, plan or employment arrangement with the Company.

(c) The Company shall, upon the termination of the Executive's employment other than by Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)) or Cause (as defined in Section 3(d)), or the termination of the Executive's employment by the Executive without Good Reason, maintain in full force and effect, for the Executive's continued benefit until the earlier of (a) two years after the Date of Termination or (b) Executive's commencement of full time employment with a new employer, all life insurance, medical, health and accident, and disability plans, programs or arrangements in which he was entitled to participate immediately prior to the Date of Termination, provided that his continued participation is possible under the general terms and provisions of such plans and programs. In the event the Executive is ineligible under the terms of such plans or programs to continue to be so covered, the Company shall provide substantially equivalent coverage through other sources.

(d) The Executive's account and rights in and under any retirement benefit or incentive plans, shall remain subject to the terms and conditions of the respective plans as they existed at the time of the termination of the Executive's employment.

Section 6. Successor to the Company: (a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. If at any time during the term of this Agreement the Executive is employed by any corporation a majority of the voting securities of which is then owned by the Company, "Company" as used in Sections 3, 4 and 10 hereof shall in addition include such employer. In such event, the Company agrees that it shall pay or shall cause such employer to pay any amounts owed to the Executive pursuant to Section 4 hereof.

(b) If the Executive should die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's legatee, or other designee or, if there be no

such designee, to the Executive's estate. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives or attorney-in-fact, executors or administrators, heirs, distributees and legatees.

Section 7. Notice: For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company:

Unifi, Inc.

P. O. Box 19109

Greensboro, NC 27419-9109

ATTENTION: General Counsel

(currently Charles F. McCoy)

If to the Executive:

Mr. R. Roger Berrier, Jr.

148 Broadmoor Dr.

Advance, NC 27006

or such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

Section 8. Miscellaneous: (a) The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(b) Any payment or delivery required under this Agreement shall be subject to all requirements of the law with regard to withholding (including FICA tax), filing, making of reports and the like, and Company shall use its best efforts to satisfy promptly all such requirements.

(c) Prior to the Change in Control of the Company, as herein defined, this Agreement shall terminate if Executive shall resign, retire, become permanently and totally disabled, or die. This Agreement shall also terminate if Executive's employment as an executive officer of the Company shall have been terminated for any reason by the Board as constituted more than three (3) months prior to any Change in Control of the Company, as defined in Section 2 of this Agreement.

Section 9. Legal Fees and Expenses: The Company shall pay all legal fees and expenses which the Executive may incur as a result of the Company's contesting the validity, enforceability or the executive's interpretation of, or determinations under, this Agreement.

Section 10. Disclosure of Confidential Information. Executive agrees that:

(A) During the term of this Agreement and for a period of five (5) years after his Date of Termination, he will not disclose or make available to any person or other entity any trade secrets, Confidential Information, or “know-how” relating to the Company’s, its affiliates’ and subsidiaries’, businesses without written authority from the Board, unless he is compelled to disclose it by judicial process.

Confidential Information - shall mean all information about the Company, its affiliates or subsidiaries, or relating to any of their products, services or any phase of their operations, not generally known to their Competitors or which is not public information, which Executive knows or acquired knowledge of during the term of his employment with the Company.

(B) **Documents** — under no circumstances shall Executive remove from the Company’ offices any of the Company’s books, records, documents, files, computer discs or information, reports, presentations, customer lists, or any copies of such documents for use outside of his employment with the Company, except as specifically authorized in writing by the Board.

Section 11. Non-Compete. Executive agrees that during the period of employment and for a period of two (2) years after his Date of Termination he will not, directly or indirectly:

(A) Seek employment or consulting arrangements with or offer advice, suggestions, or input to any Competitor of the Company; or

(B) Own any interest in, other than ownership of less than two percent (2%) of any class of stock of a publicly held corporation, manage, operate, control, be employed by, render advisory services to, act as a consultant to, participate in, assess or be connected with any Competitor of the Company, unless approved by the Board; or

(C) Solicit, induce, or attempt to induce any past or current customer of the Company (a) to cease doing business in whole or in part with or through the Company; or (b) to do business with any other person, firm, partnership, corporation, or other entity which sales products or performs services materially similar to or competitive with those provided by the Company; or

(D) Initiate, encourage or solicit for employment any person who is now employed or during the term of this Agreement becomes employed by the Company (or whose activities or services are dedicated to the Company).

Competitor - shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, business trust, association, trust or other enterprise (whether or not incorporated) engaged in the business of developing, producing, manufacturing, selling and/or distributing a product or providing services similar to any product produced or service provided by the Company, its affiliates or subsidiaries.

Section 12. Remedy for violation of Sections 10 and 11. The Executive acknowledges that the Company has no adequate remedy at law and will be irreparably harmed if the Executive breaches or threatens to breach the provisions of Sections 10 or 11 of this Agreement, and therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of such Sections and that the Company shall be entitled to specific performance of the terms of such Sections in addition to any other legal or equitable remedy it may have. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have or any other rights that it may have under any other agreement.

13. Arbitration. Any dispute or controversy between the Company and the Executive, whether arising out of or relating to this Agreement, the breach of this Agreement, or otherwise, shall be settled by arbitration administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of the Company and the Executive, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Company and the Executive. The Company and the Executive acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding any choice of law provision included in this Agreement, the United States Federal Arbitration Act shall govern the interpretation and enforcement of this arbitration provision. The arbitration proceeding shall be conducted in Greensboro, North Carolina or such other location to which the parties may agree. The Company shall pay the costs of any arbitrator appointed hereunder.

IN WITNESS WHEREOF, Unifi, Inc. has caused this Agreement to be signed by an officer of the Company and a member of the Company's Compensation Committee pursuant to resolutions duly adopted by the Board of Directors and its seal affixed hereto and the Executive has hereunto affixed his hand and seal effective as of the date first above written.

UNIFI, INC.

By: /s/ CHARLES F. MCCOY
Charles F. McCoy
Vice President, Secretary &
General Counsel

By: /s/ WILLIAM J. ARMFIELD, IV
William J. Armfield, IV
Chairman of the Compensation Committee
of the Board of Directors

EXECUTIVE

/s/ R. ROGER BERRIER, JR. (Seal)
R. Roger Berrier, Jr.

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT (“Agreement”) between **UNIFI, INC.**, a New York Corporation (the “Company”), and William L. Jasper (“Executive”) effective the 25th day of July, 2006 (the “Effective Date”).

WITNESSETH:

WHEREAS, The Executive is the Vice President of Sales of the Company and is considered as an integral part of the Company’s management; and

WHEREAS, the Company’s Board of Directors (hereinafter sometimes referred to as the “Board”) considers the establishment and maintenance of a sound and vital management to be essential in protecting and enhancing the best interests of the Company and its Shareholders, recognizes that the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its Shareholders; and

WHEREAS, the Executive desires that in the event of any Change in Control he will continue to have the responsibility and status he has earned; and

WHEREAS, the Board has determined that it is appropriate to reinforce and encourage the continued attention and dedication of the Executive, as a member of the Company’s management, to his assigned duties without distraction in potentially disturbing circumstances arising from the possibility of a Change in Control of the Company.

NOW, THEREFORE, in order to induce the Executive to remain in the employment of the Company and in consideration of the Executive agreeing to remain in the employment of the Company, subject to the terms and conditions set out below, the Company agrees it will pay such amount, as provided in Section 4 of this Agreement, to the Executive, if the Executive’s employment with the Company terminates under one of the circumstances described herein following a Change in Control of the Company, as herein defined.

Section 1. Term: This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the earliest of (i) November 1, 2008 if a Change in Control of the Company has not occurred within such period; (ii) the termination of the Executive’s employment with the Company based on Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)), Cause (as defined in Section 3(d)) or by the Executive other than for Good Reason (as defined in Section 3(e)); and (iii) two years from the date of a Change in Control of the Company if the Executive has not voluntarily terminated his employment for Good Reason as of such time.

Section 2. Change in Control: No compensation shall be payable under this Agreement unless and until (a) there shall have been a Change in Control of the Company, while the Executive is still an employee of the Company and (b) the Executive's employment by the Company thereafter shall have been terminated in accordance with Section 3. For purposes of this Agreement, a Change in Control of the Company shall be deemed to have occurred if: (i) there shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving legal entity or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock of the surviving company immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (ii) the shareholders of the Company approved any plan or proposal for the liquidation or dissolution of the Company; or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Company's outstanding Common Stock; or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's Shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.

Section 3. Termination Following Change in Control: (a) If a Change in Control of the Company shall have occurred while the Executive is still an employee of the Company, the Executive shall be entitled to the compensation provided in Section 4 upon the subsequent termination of the Executive's employment with the Company by the Executive voluntarily for Good Reason or by the Company unless such termination by the Company is as a result of (i) the Executive's Death, (ii) the Executive's Disability (as defined in Section (3)(b) below); (iii) the Executive's Retirement (as defined in Section 3(c) below); (iv) the Executive's termination by the Company for Cause (as defined in Section 3(d) below); or (v) the Executive's decision to terminate employment other than for Good Reason (as defined in Section 3(e) below).

(b) Disability: If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties with the Company on a full-time basis for one hundred twenty (120) consecutive days or a period of one hundred eighty (180) days within twelve (12) consecutive months (including days before and after the change of control) and within 30 days after written notice of termination is thereafter given by the Company the Executive shall not have returned to the full-time performance of the Executive's duties, the Company may terminate this Agreement for "Disability."

(c) Retirement: The term “Retirement” as used in this Agreement shall mean termination in accordance with the Company’s retirement policy or any arrangement established with the consent of the Executive.

(d) Cause: The Company may terminate the Executive’s employment for Cause. For purposes of this Agreement only, the Company shall have “Cause” to terminate the Executive’s employment hereunder only on the basis of fraud, misappropriation or embezzlement on the part of the Executive or malfeasance or misfeasance by said Executive in performing the duties of his office, as determined by the Board. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been a meeting of the Board (after at least ten (10) days written notice to the Executive and an opportunity for the Executive to be heard before the Board), and the delivery to the Executive of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of said Board of Directors stating that in the good faith opinion of the Board the Executive was guilty of conduct set forth in the second sentence of this Section 3(d) and specifying the particulars thereof in detail.

(e) Good Reason: The Executive may terminate the Executive’s employment for Good Reason at any time during the term of this Agreement. For purposes of this Agreement “Good Reason” shall mean any of the following (without the Executive’s express written consent):

(i) the assignment to the Executive by the Company of duties inconsistent with the Executive’s position, duties, responsibilities and status with the Company immediately prior to a Change in Control of the Company; or a change in the Executive’s titles or offices as in effect immediately prior to a Change in Control of the Company; or any removal of the Executive from or any failure to reelect the Executive to any of the positions held prior to the Change of Control, except in connection with the termination of his employment for Disability, Retirement, or Cause, or as a result of the Executive’s Death; or by the Executive other than for Good Reason;

(ii) a reduction by the Company in the Executive’s base salary as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company’s failure to increase (within 12 months of the Executive’s last increase in base salary) the Executive’s base salary after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the average percentage increase in base salary for all executive officers of the Company effected in the preceding 12 months;

(iii) any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, the Company’s 401(k) Plan, group life insurance plan and medical, dental, accident and disability plans) in which the Executive is participating at the time of a Change in Control of the Company (or any

other plans providing the Executive with substantially similar benefits) (hereinafter referred to as “Benefit Plans”), or the taking of any action by the Company which would adversely affect the Executive’s participation in or materially reduce the Executive’s benefits under any such Benefit Plan or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of a Change in Control of the Company;

(iv) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including, without limitation, Stock Option Plans or any other plan or arrangement to receive and exercise stock options, restricted stock or grants thereof) in which the Executive is participating at the time of a Change in Control of the Company (or plans or arrangements providing him with substantially similar benefits) (hereinafter referred to as “Securities Plans”) and the taking of any action by the Company which would adversely affect the Executive’s participation in or materially reduce the Executive’s benefits under any such Securities Plan;

(v) any failure by the Company to continue in effect any bonus plan, automobile allowance plan, or other incentive payment plan in which the Executive is participating at the time of a Change in Control of the Company, or said Executive had participated in during the previous calendar year;

(vi) a relocation of the Company’s principal executive offices to a location outside of North Carolina, or the Executive’s relocation to any place other than the location at which the Executive performed the Executive’s duties prior to a Change in Control of the Company, except for required travel by the Executive on the Company’s business to an extent substantially consistent with the Executive’s business travel obligations at the time of a Change in Control of the Company;

(vii) any failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled at the time of a Change in Control of the Company;

(viii) any breach by the Company of any provision of this Agreement;

(ix) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or

(x) any purported termination of the Executive’s employment which is not made pursuant to a Notice of Termination satisfying the requirements of Section 3(f).

(f) Notice of Termination: Any termination by the Company pursuant to Section 3(b), 3(c) or 3(d) shall be communicated by a Notice of Termination. For purposes of this Agreement, a “Notice of Termination” shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of

the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) **Date of Termination:** "Date of Termination" shall mean (a) if Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30 day period) or (b) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given to the Executive by the Company the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual agreement by the parties or otherwise or (c) the date the Executive notifies the Company in writing that he is terminating his employment and setting forth the Good Reason (as defined in Section 3(e)).

Section 4. Severance Compensation upon Termination of Employment. If the Company shall terminate the Executive's employment other than pursuant to Section 3(b), 3(c) or 3(d) or if the Executive shall voluntarily terminate his employment for Good Reason, then the Company shall pay to the Executive as severance pay an amount equal to 2.99 times the annualized aggregate annual compensation paid to the Executive by the Company or any of its subsidiaries during the five (5) calendar years (or the period of the Executive's employment with the Company if the Executive has been employed with the Company for less than five calendar years) preceding the Change in Control of the Company in twenty-four equal monthly installments beginning on the regular payroll date for salaried employees of the Company in the month of the Executive's Date of Termination; provided, however, that if the severance payment under this Section 4, either alone or together with other payments which the Executive has the right to receive from the Company, would constitute a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 4 being subject to the excise tax imposed by Section 4999 of the Code. The determination of any reduction in the lump sum severance payment under this Section 4 pursuant to the foregoing proviso shall be made by the Company's Independent Certified Public Accountants, and their decision shall be conclusive and binding on the Company and the Executive.

Section 5. No Obligation to Mitigate Damages; No Effect on Other Contractual Rights: (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's rights under any employment agreement or other contract, plan or employment arrangement with the Company.

(c) The Company shall, upon the termination of the Executive's employment other than by Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)) or Cause (as defined in Section 3(d)), or the termination of the Executive's employment by the Executive without Good Reason, maintain in full force and effect, for the Executive's continued benefit until the earlier of (a) two years after the Date of Termination or (b) Executive's commencement of full time employment with a new employer, all life insurance, medical, health and accident, and disability plans, programs or arrangements in which he was entitled to participate immediately prior to the Date of Termination, provided that his continued participation is possible under the general terms and provisions of such plans and programs. In the event the Executive is ineligible under the terms of such plans or programs to continue to be so covered, the Company shall provide substantially equivalent coverage through other sources.

(d) The Executive's account and rights in and under any retirement benefit or incentive plans, shall remain subject to the terms and conditions of the respective plans as they existed at the time of the termination of the Executive's employment.

Section 6. Successor to the Company: (a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. If at any time during the term of this Agreement the Executive is employed by any corporation a majority of the voting securities of which is then owned by the Company, "Company" as used in Sections 3, 4 and 10 hereof shall in addition include such employer. In such event, the Company agrees that it shall pay or shall cause such employer to pay any amounts owed to the Executive pursuant to Section 4 hereof.

(b) If the Executive should die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's legatee, or other designee or, if there be no

such designee, to the Executive's estate. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives or attorney-in-fact, executors or administrators, heirs, distributees and legatees.

Section 7. Notice: For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company:

Unifi, Inc.

P. O. Box 19109

Greensboro, NC 27419-9109

ATTENTION: General Counsel

(currently Charles F. McCoy)

If to the Executive:

Mr. William L. Jasper

404-B Fisher Park Circle

Greensboro, NC 27401

or such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

Section 8. Miscellaneous: (a) The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(b) Any payment or delivery required under this Agreement shall be subject to all requirements of the law with regard to withholding (including FICA tax), filing, making of reports and the like, and Company shall use its best efforts to satisfy promptly all such requirements.

(c) Prior to the Change in Control of the Company, as herein defined, this Agreement shall terminate if Executive shall resign, retire, become permanently and totally disabled, or die. This Agreement shall also terminate if Executive's employment as an executive officer of the Company shall have been terminated for any reason by the Board as constituted more than three (3) months prior to any Change in Control of the Company, as defined in Section 2 of this Agreement.

Section 9. Legal Fees and Expenses: The Company shall pay all legal fees and expenses which the Executive may incur as a result of the Company's contesting the validity, enforceability or the executive's interpretation of, or determinations under, this Agreement.

Section 10. Disclosure of Confidential Information. Executive agrees that:

- (A) During the term of this Agreement and for a period of five (5) years after his Date of Termination, he will not disclose or make available to any person or other entity any trade secrets, Confidential Information, or "know-how" relating to the Company's, its affiliates' and subsidiaries', businesses without written authority from the Board, unless he is compelled to disclose it by judicial process.

Confidential Information - shall mean all information about the Company, its affiliates or subsidiaries, or relating to any of their products, services or any phase of their operations, not generally known to their Competitors or which is not public information, which Executive knows or acquired knowledge of during the term of his employment with the Company.

- (B) **Documents** — under no circumstances shall Executive remove from the Company's offices any of the Company's books, records, documents, files, computer discs or information, reports, presentations, customer lists, or any copies of such documents for use outside of his employment with the Company, except as specifically authorized in writing by the Board.

Section 11. Non-Compete. Executive agrees that during the period of employment and for a period of two (2) years after his Date of Termination he will not, directly or indirectly:

- (A) Seek employment or consulting arrangements with or offer advice, suggestions, or input to any Competitor of the Company; or
- (B) Own any interest in, other than ownership of less than two percent (2%) of any class of stock of a publicly held corporation, manage, operate, control, be employed by, render advisory services to, act as a consultant to, participate in, assess or be connected with any Competitor of the Company, unless approved by the Board; or

(C) Solicit, induce, or attempt to induce any past or current customer of the Company (a) to cease doing business in whole or in part with or through the Company; or (b) to do business with any other person, firm, partnership, corporation, or other entity which sales products or performs services materially similar to or competitive with those provided by the Company; or

(D) Initiate, encourage or solicit for employment any person who is now employed or during the term of this Agreement becomes employed by the Company (or whose activities or services are dedicated to the Company).

Competitor - shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, business trust, association, trust or other enterprise (whether or not incorporated) engaged in the business of developing, producing, manufacturing, selling and/or distributing a product or providing services similar to any product produced or service provided by the Company, its affiliates or subsidiaries.

Section 12. Remedy for violation of Sections 10 and 11. The Executive acknowledges that the Company has no adequate remedy at law and will be irreparably harmed if the Executive breaches or threatens to breach the provisions of Sections 10 or 11 of this Agreement, and therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of such Sections and that the Company shall be entitled to specific performance of the terms of such Sections in addition to any other legal or equitable remedy it may have. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have or any other rights that it may have under any other agreement.

13. Arbitration. Any dispute or controversy between the Company and the Executive, whether arising out of or relating to this Agreement, the breach of this Agreement, or otherwise, shall be settled by arbitration administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of the Company and the Executive, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Company and the Executive. The Company and the Executive acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding any choice of law provision included in this Agreement, the United States Federal Arbitration Act shall govern the interpretation and enforcement of this arbitration provision. The arbitration proceeding shall be conducted in Greensboro, North Carolina or such other location to which the parties may agree. The Company shall pay the costs of any arbitrator appointed hereunder.

IN WITNESS WHEREOF, Unifi, Inc. has caused this Agreement to be signed by an officer of the Company and a member of the Company's Compensation Committee pursuant to resolutions duly adopted by the Board of Directors and its seal affixed hereto and the Executive has hereunto affixed his hand and seal effective as of the date first above written.

UNIFI, INC.

By: /s/ CHARLES F. MCCOY
Charles F. McCoy
Vice President, Secretary &
General Counsel

By: /s/ WILLIAM J. ARMFIELD, IV
William J. Armfield, IV
Chairman of the Compensation Committee
of the Board of Directors

EXECUTIVE

/s/ WILLIAM L. JASPER (Seal)
William L. Jasper

EMPLOYMENT AGREEMENT

BY AND BETWEEN

WILLIAM M. LOWE, JR.

AND

UNIFI, INC.

Effective July 25, 2006

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is effective July 25, 2006 (the "Effective Date") by and between UNIFI, INC., a New York Corporation (the "Company"), and WILLIAM M. LOWE, JR. (the "Executive");

WITNESSETH:

WHEREAS, Executive is presently serving as Vice President, Chief Financial Officer and Chief Operating Officer of the Company and is an integral part of the Company's management; and

WHEREAS, Executive, through his knowledge and experience in business and with the Company is exceptionally well qualified, fitted and equipped to continue to serve the Company as its Vice President, Chief Financial Officer and Chief Operating Officer; and

WHEREAS, the Company deems it to be in its best interest to retain the unique experience, ability and leadership of the Executive as its Vice President, Chief Financial Officer and Chief Operating Officer in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the Company and the Executive hereby agree as follows:

1. **EMPLOYMENT.** The Company hereby agrees to continue to employ the Executive, and the Executive agrees to continue to serve the Company, in the capacities described herein during the Period of Employment (as defined in Section 2 of this Agreement), in accordance with the terms and conditions of this Agreement.

2. **PERIOD OF EMPLOYMENT.** The term "Period of Employment" shall mean the period which commences on the Effective Date and, unless earlier terminated pursuant to Section 6, ends on July 31, 2009; provided, however, that the Period of Employment shall automatically be extended on a day by day basis so that the remaining term of the Period of Employment shall always be three (3) years until such date as either the Company or the Executive shall have terminated such automatic extension provision by giving written notice to the other.

3. **DUTIES DURING THE PERIOD OF EMPLOYMENT.**

3.1 **DUTIES.** During the Period of Employment, the Executive shall be employed as the Vice President, Chief Financial Officer and Chief Operating Officer of the Company. The Executive shall report to the Company's Chief Executive Officer (the "CEO") and shall perform such duties as the Executive shall reasonably be directed to perform by the CEO.

3.2 **SCOPE.** During the Period of Employment, the Executive shall devote substantially all of his business time and attention to the business and affairs of the Company. It shall not be a violation of this Agreement for the Executive to (I) serve on corporate, civic or charitable boards or committees, (ii) deliver lectures, fulfill speaking engagements or teach occasional courses or seminars at educational institutions, or (iii) manage personal investments, so long as such activities under clauses (I), (ii) and (iii) do not interfere, in any substantial respect, with the Executive's responsibilities hereunder.

4. **COMPENSATION AND OTHER PAYMENTS.**

4.1 **SALARY.** During the Period of Employment, the Company shall pay the Executive an annualized base salary of not less than five hundred fifty thousand dollars (\$550,000.00) per year (the "Base Salary"). The Executive's Base Salary shall be paid in accordance with the Company's payroll policy. The Compensation Committee of the Board ("Committee") shall review the Base Salary on an annual basis during the Period of Employment. Based upon such reviews, the Committee may increase, but shall not decrease, the Base Salary. Any increase in Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement.

4.2 **OTHER COMPENSATION.** The Committee may at its discretion award the Executive other additional compensation and bonuses during the Period of Employment.

5. **OTHER EXECUTIVE BENEFITS.**

5.1 **REGULAR REIMBURSED BUSINESS EXPENSES.** The Company shall promptly reimburse the Executive for all expenses and disbursements reasonably incurred by the Executive in the performance of his duties hereunder during the Period of Employment.

5.2 **BENEFIT PLANS.** The Executive and his eligible family members shall be entitled to participate on terms no less favorable to the Executive than the terms offered to other senior executives of the Company in any group and/or executive life, hospitalization or disability insurance plan, health program, vacation policy, 401(k) plan and similar benefit plans (qualified, non-qualified and supplemental) or other fringe benefits (it being understood that items such as stock options are not fringe benefits) of the Company (collectively referred to as the "Benefits"). Anything contained herein to the contrary notwithstanding, the Benefits described herein shall not duplicate benefits made available to the Executive pursuant to any other provision of this Agreement.

6. **TERMINATION.**

6.1 **DEATH OR DISABILITY.** This Agreement and the Period of Employment shall terminate automatically upon the Executive's death. If the Company

determines in good faith that the Disability of the Executive has occurred (pursuant to the definition of “Disability” set forth below), it may give to the Executive written notice of its intention to terminate the Executive’s employment. In such event, the Executive’s employment with the Company shall terminate effective on the thirtieth (30th) day after receipt by the Executive of such notice given at any time after a period of one hundred twenty (120) consecutive days of Disability or a period of one hundred eighty (180) days of Disability within any twelve (12) consecutive months, and, in either case, while such Disability is continuing (“Disability Effective Date”); provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full-time performance of the Executive’s duties. For purposes of this Agreement, “Disability” means the Executive’s inability to substantially perform his duties hereunder, with reasonable accommodation as reasonably determined by the CEO or the Board. Until the Disability Effective Date, the Executive shall be entitled to all compensation provided for under Section 4 hereof. It is understood that nothing in this Section 6.1 shall serve to limit the Company’s obligations under Section 7.2 hereof.

6.2 BY THE COMPANY FOR CAUSE. During the Period of Employment, the Company may terminate the Executive’s employment immediately for “Cause.” For purposes of this Agreement, “Cause” shall mean that (i) the Executive has been convicted of a felony involving theft or moral turpitude, or (ii) engaged in conduct that constitutes willful gross neglect or willful gross misconduct with respect to employment duties which results in material economic harm to the Company; provided, however, that for the purposes of determining whether conduct constitutes willful gross misconduct, no act on Executive’s part shall be considered “willful” unless it is done by the Executive in bad faith and without reasonable belief that the Executive’s action was in the best interests of the Company. Notwithstanding the foregoing, the Company may not terminate the Executive’s employment for Cause unless (i) a determination that Cause exists is made and approved by a majority of the Company’s Board of Directors, (ii) the Executive is given at least ten (10) days written notice of the Board meeting called to make such determination, and (iii) the Executive is given the opportunity to address such meeting.

6.3 BY EXECUTIVE FOR GOOD REASON. During the Period of Employment, the Executive’s employment hereunder may be terminated by the Executive for Good Reason upon fifteen (15) business days’ written notice. For purposes of this Agreement, “Good Reason” shall mean, without the Executive’s consent:

6.3.1. Assignment to the Executive of any duties inconsistent in any material respect with the Executive’s position (including status, offices, titles and reporting relationships), authority, duties or responsibilities as contemplated by Section 3 of this Agreement, or any other action by the Company which results in a significant diminution in such position, authority, duties or responsibilities, excluding any isolated and inadvertent action not taken in bad faith and which is remedied by the Company within ten business (10) days after receipt of notice thereof given by the Executive;

6.3.2. Any failure by the Company to comply with any of the provisions of Section 4 or 5 of this Agreement other than an isolated and inadvertent failure not committed in bad faith and which is remedied by the Company within ten business (10) days after receipt of notice thereof given by the Executive;

6.3.3. Delivery by the Company of a notice discontinuing the automatic extension provision of Section 2 of this Agreement; or

6.3.4. Any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement.

6.4 OTHER THAN FOR CAUSE OR GOOD REASON. The Executive or the Company may terminate this Agreement for any reason other than for Good Reason or Cause, respectively, upon the Executive providing the Company with ninety (90) days written notice and upon the Company providing the Executive thirty (30) days written notice. If the Executive terminates the Agreement for any reason, he shall have no liability to the Company or its subsidiaries or affiliates as a result thereof. If the Company terminates the Agreement, or if the Agreement terminates because of the death of the Executive, the obligations of the Company shall be as set forth in Section 7 hereof.

6.5 NOTICE OF TERMINATION. A Notice of Termination shall communicate any termination by the Company or by the Executive to the other party hereto given in accordance with Section 13.b. of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail, if necessary, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date. The failure by the Executive or Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of the basis for termination shall not waive any right of such party hereunder or preclude such party from asserting such fact or circumstance in enforcing his or its rights hereunder.

6.6 DATE OF TERMINATION. "Date of Termination" means the date specified in the Notice of Termination; provided, however, that if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

7. OBLIGATIONS OF THE COMPANY UPON TERMINATION. The following provisions describe the obligations of the Company to the Executive under this Agreement upon termination of his employment. However, except as explicitly provided in this Agreement, nothing in this Agreement shall limit or otherwise adversely affect any rights which the Executive may have under applicable law, under any other agreement

with the Company, or under any compensation or benefit plan, program, policy or practice of the Company.

7.1 TERMINATION BY THE COMPANY FOR CAUSE OR RESIGNATION WITHOUT GOOD REASON. In the event this Agreement terminates by reason of the termination of the Executive's Employment by the Company for Cause or by reason of the resignation of the Executive other than for Good Reason, the Company shall pay to the Executive all Accrued Obligations (as defined below) in a lump sum in cash within thirty (30) days after the Date of Termination. "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's Base Salary through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid.

7.2 RESIGNATION WITH GOOD REASON; TERMINATION WITHOUT CASE; DISABILITY. If (i) the Company shall terminate the Executive's employment other than for Cause, (ii) the Executive shall terminate his employment at any time for Good Reason or (iii) the Executive's employment shall terminate due to Disability, the Executive shall receive in addition to the Accrued Obligations, the following:

7.2.1 For the remainder of the Period of Employment (determined without regard to the termination thereof pursuant to Section 6) or for three (3) years (which ever is longer), the Company shall continue to pay the Executive the Base Salary in accordance with Section 4.1 of this Agreement as if the Executive's employment had not been terminated.

7.2.2 Immediate full vesting in (i.e. full exercisability for) any stock options previously granted to the Executive by the Company and not yet vested as of the Date of Termination;

7.2.3 Continued exercisability, through the end of their respective full original terms, for all vested options, whether previously vested or vesting under this subsection 7.2;

7.2.4 Immediate full vesting in all other otherwise unvested shares of restricted stock of the Company or other equity-based awards (if any) previously awarded to the Executive, with immediate termination of all restrictions on such awards;

7.2.5 Receipt of any other compensation and Benefits accrued or earned and vested (if applicable) by the Executive as of the Date of Termination (but not duplicative of the Accrued Obligations);

7.2.6 For the remainder of the Period of Employment (determined without regard to the termination thereof pursuant to Section 6) or for three (3) years (which ever is longer), the Company shall continue health, prescription drug, dental, disability and life insurance benefits to the Executive and/or the Executive's eligible family members at least equal to those which would have been provided to them in accordance with Section 5.2 of this Agreement if the Executive's employment had not been terminated.

7.3 **COBRA RIGHTS.** It is understood that the Executive's rights under this Section 7 are in lieu of all other rights which the Executive may otherwise have had upon termination of employment under this Agreement; provided, however, that no provision of this Agreement is intended to adversely affect the Executive's rights under the Consolidate Omnibus Budget Reconciliation Act of 1985.

8. **DISCLOSURE OF CONFIDENTIAL INFORMATION.** Executive agrees that:

(A) During the term of this Agreement and for a period of five (5) years after his Date of Termination, he will not disclose or make available to any person or other entity any trade secrets, Confidential Information, or "know-how" relating to the Company's, its affiliates' and subsidiaries', businesses without written authority from the Board, unless he is compelled to disclose it by judicial process.

Confidential Information - shall mean all information about the Company, its affiliates or subsidiaries, or relating to any of their products, services or any phase of their operations, not generally known to their Competitors or which is not public information, which Executive knows or acquired knowledge of during the term of his employment with the Company.

(B) **Documents** — under no circumstances shall Executive remove from the Company' offices any of the Company's books, records, documents, files, computer discs or information, reports, presentations, customer lists, or any copies of such documents for use outside of his employment with the Company, except as specifically authorized in writing by the Board.

9. **NON-COMPETE.** Executive agrees that during the Period of Employment and after his Date of Termination for as long as he is receiving the Base Salary payments provided for in Section 7 of this Agreement that he will not, directly or indirectly:

(A) Seek employment or consulting arrangements with or offer advice, suggestions, or input to any Competitor of the Company; or

(B) Own any interest in, other than ownership of less than two percent (2%) of any class of stock of a publicly held corporation, manage, operate, control, be employed by, render advisory services to, act as a consultant to, participate in, assess or be connected with any Competitor of the Company, unless approved by the Board; or

(C) Solicit, induce, or attempt to induce any past or current customer of the Company (a) to cease doing business in whole or in part with or through the Company; or (b) to do business with any other person, firm, partnership, corporation, or other entity which sales products or performs services materially similar to or competitive with those provided by the Company; or

(D) Initiate, encourage or solicit for employment any person who is now employed or during the term of this Agreement becomes employed by the Company (or whose activities or services are dedicated to the Company).

Competitor - shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, business trust, association, trust or other enterprise (whether or not incorporated) engaged in the business of developing, producing, manufacturing, selling and/or distributing a product or providing services similar to any product produced or service provided by the Company, its affiliates or subsidiaries.

10. **REMEDY FOR VIOLATION OF SECTIONS 8 and 9.** The Executive acknowledges that he has been given adequate consideration and benefits to support the enforcement of the provisions provided for in Sections 8 and 9 of this Agreement and that the Company has no adequate remedy at law and will be irreparably harmed if the Executive breaches or threatens to breach the provisions of Sections 8 or 9 of this Agreement, and therefore, agrees that the Company shall be entitled to injunctive relief to prevent any breach or threatened breach of such Sections and that the Company shall be entitled to specific performance of the terms of such Sections in addition to any other legal or equitable remedy it may have. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that it may have or any other rights that it may have under any other agreement.

11. **ARBITRATION.** Any dispute or controversy between the Company and the Executive, whether arising out of or relating to this Agreement, the breach of this Agreement, or otherwise, shall be settled by arbitration administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of the Company and the Executive, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may,

without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Company and the Executive. The Company and the Executive acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding any choice of law provision included in this Agreement, the United States Federal Arbitration Act shall govern the interpretation and enforcement of this arbitration provision. The arbitration proceeding shall be conducted in Greensboro, North Carolina or such other location to which the parties may agree. The Company shall pay the costs of any arbitrator appointed hereunder.

12. SUCCESSORS.

a. This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's heirs and legal representatives.

b. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

c. As used in this Agreement, the term "Company" shall include any successor to the Company's business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

13. MISCELLANEOUS.

a. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to principles of conflicts of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

b. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by overnight courier, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
William M. Lowe, Jr.
7505 Forest Creek Ridge Court

Summerfield, NC 27358

If to the Company:
Unifi, Inc.
7201 W. Friendly Avenue
Greensboro, NC 27410
Attn: General Counsel (currently Charles F. McCoy)

or to such other address as either of the parties shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

c. None of the provisions of this Agreement shall be deemed to impose a penalty.

d. The obligations contained in this Agreement (specifically including Sections 8 and 9) shall survive the termination of this Agreement. Additionally, the Executive acknowledges that the restrictions and covenants contained in Section 9 are reasonable and necessary to protect the legitimate business interests of the Company and will not impose an economic hardship on the Executive. If any provision of this Agreement is held to be in any respect illegal, invalid or unenforceable under present or future law, such provisions shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provisions had never comprised a part hereof, and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, the same shall be reformed and modified automatically by the Compensation Committee as a part hereof to be as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

e. Any party's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision or any other provision hereof.

f. This Agreement supersedes any prior employment agreement or understandings, written or oral between the Company and the Executive and contains the entire understanding of the Company and the Executive with respect to the subject matter hereof.

g. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates written below.

UNIFI, INC.

By: /s/ CHARLES F. MCCOY 7/26/06
Charles F. McCoy
Vice President, Secretary & General Counsel

By: /s/ WILLIAM J. ARMFIELD, IV
William J. Armfield, IV.
Chairman of the Compensation Committee of the Board of
Directors

WILLIAM M. LOWE, JR.

/s/ WILLIAM M. LOWE, JR. (Seal)

UNIFI, INC. SUPPLEMENTAL KEY EMPLOYEE RETIREMENT PLAN
as established effective July 26, 2006

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UNIFI, INC. SUPPLEMENTAL KEY EMPLOYEE RETIREMENT PLAN
(established effective July 26, 2006)

WHEREAS, Unifi, Inc. desires to establish an unfunded supplemental retirement plan for a select group of management employees for the purpose of providing supplemental retirement benefits effective as of July 26, 2006;

NOW, THEREFORE, Unifi, Inc. does hereby establish effective as of July 26, 2006, the "Unifi, Inc. Supplemental Key Employee Retirement Plan" to consist of the terms and provisions set forth in Article I through Article VII, inclusive, as follows:

ARTICLE I

NAME AND PURPOSE

Section 1.1. Name. The Plan shall be known as the "Unifi, Inc. Supplemental Key Employee Retirement Plan."

Section 1.2. Purpose. The purpose of the Plan is to provide select management employees of the Participating Employers who are designated as Participants in this Plan with certain benefits in accordance with the provisions of the Plan. The Plan is intended and should be construed so as to comply with the provisions of Code Section 409A.

ARTICLE II

CONSTRUCTION, DEFINITIONS AND APPLICABLE LAW

Section 2.1. Construction and Definitions.

(a) Construction. Article, section and paragraph headings have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. If any provision of the Plan shall for any reason be invalid or unenforceable, the remaining provisions shall nevertheless be valid, enforceable and fully effective.

(b) Definitions. Whenever used in the Plan, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(1) Account means the aggregate amount to the credit of a Participant in the Participant's SERP Account.

(2) Base Compensation of a Participant means the annual base cash remuneration payable to the Participant for employment with the Participating Employers, prior to any reduction in said cash remuneration under Section 125 or

401(k) of the Code or under any non-qualified plan of deferred compensation sponsored by a Participating Employer. Compensation shall not include any annual cash bonuses or cash bonuses paid under any long-term incentive compensation plan sponsored by a Participating Employer, any expense allowances or reimbursements, any car allowances, any amounts realized from the grant or exercise of any stock option, phantom stock, stock appreciation right or similar award or any benefit payments from any non-qualified plan of deferred compensation sponsored by a Participating Employer.

(3) Beneficiary means the person(s) or entity(ies) designated by a Participant or the provisions of the Plan to receive such benefits as may become payable to such person(s) or entity(ies) in accordance with the provisions of the Plan.

(4) Board of Directors means the Board of Directors of the Company.

(5) Code means the Internal Revenue Code of 1986, as amended from time to time, and references thereto shall include the valid Treasury regulations issued thereunder.

(6) Committee means the Compensation Committee of the Board of Directors.

(7) Company means Unifi, Inc., a New York corporation.

(8) Disability means a Participant (A) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months or (B) is, by reason of a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan sponsored by a Participating Employer.

(9) Effective Date means July 26, 2006, the date the Plan is approved by the Board of Directors.

(10) Employee means a common law employee of a Participating Employer.

(11) Participant means an Employee who has been designated as a Participant in the Plan as provided in Section 3.2.

(12) Participating Employers means:

(A) the Company; and

(B) those Subsidiary Corporations which adopt the Plan pursuant to the provisions of Section 6.1 hereof.

(13) Plan means the Unifi, Inc. Supplemental Key Employee Retirement Plan, as set forth herein and as amended from time to time.

(14) Plan Year means the calendar year.

(15) SERP Account means the bookkeeping account established and maintained on the books and records of the Plan pursuant to Sections 4.1 for a Participant to record that portion of the Participant's benefit accrued under the Plan from and after the Effective Date and adjustments thereto pursuant to Section 4.2.

(16) SERP Credit means the amount credited to a Participant's SERP Account as of the end of each calendar quarter pursuant to Section 4.1(a).

(17) SERP Credit Percentage means five and one-half percent (5½%) for Participants who are not officers of a Participating Company and eight and one-half percent (8½%) for Participants who are officers of a Participating Company. The Committee shall determine whether a Participant is an officer of a Participating Company for purposes of the Plan.

(18) Subsidiary Corporation or Subsidiaries means:

(A) any corporation at least fifty percent (50%) of whose outstanding voting capital stock is owned by the Company;

(B) any corporation at least eighty percent (80%) of whose outstanding voting capital stock and at least eighty percent (80%) of each class of whose outstanding non-voting capital stock is owned by a corporation at least fifty percent (50%) of whose outstanding voting capital stock is owned by the Company; or

(C) any corporation at least eighty percent (80%) of whose outstanding voting capital stock and at least eighty percent (80%) of each class of whose outstanding non-voting capital stock is owned by a corporation described in subparagraph (B) above.

(19) Valuation Period means each day on which the United States financial markets are open for the normal transaction of business or such other period as established from time to time by the Committee for the purpose of adjusting SERP Account balances pursuant to Section 4.2(b).

Section 2.2. Applicable Law. The Plan shall be construed, administered, regulated and governed in all respects under and by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of the State of North Carolina.

**ARTICLE III
PARTICIPATION**

Section 3.1. General. No person shall become a Participant unless or until such person is or becomes an Employee. In addition, in no event shall any Employee be eligible to participate in the Plan prior to the Effective Date.

Section 3.2. Eligibility. The Committee, in its sole and exclusive discretion, shall determine which Employees shall become Participants. Designation of Employees as Participants shall be made in such manner as the Committee shall determine from time to time. The Committee may in its discretion determine that an Employee designated as a Participant is no longer a Participant or such Employee may terminate his or her employment with the Participating Employers, and in either such event, such Participant shall cease active participation in the Plan. No further SERP Credits shall be made to a Participant's SERP Account from and after the date the Participant ceases active participation in the Plan. However, such Participant's SERP Account shall continue to be adjusted in accordance with Section 4.2(b) until the Participant separates from employment with the Participating Employers.

**ARTICLE IV
BENEFITS**

Section 4.1. SERP Accounts.

(a) General. A SERP Account shall be established and maintained on the books and records of the Plan in the name of each Participant in accordance with the provisions of this Section 4.1.

(b) Initial SERP Account Balance. The SERP Account established for a Participant shall be credited with an initial balance equal to zero; provided that, the Committee, in its sole

discretion, may credit a Participant's SERP Account with an initial balance greater than zero as of the date the individual becomes a Participant in the Plan or may credit a Participant's SERP Account with an additional amount at any time thereafter.

Section 4.2. SERP Account Credits and Adjustments.

(a) SERP Credits. As soon as administratively practicable following the Effective Date, the SERP Account of each Participant on the Effective Date shall be credited with a SERP Credit equal to three times the product of the Participant's Base Compensation for the 2005 calendar year multiplied by the Participant's SERP Credit Percentage. As of the end of each calendar year from and after the Effective Date, including the calendar year that contains the Effective Date, the SERP Account of each Participant shall be credited with a SERP Credit equal to the product of the Participant's Base Compensation for the calendar year then ended multiplied by the Participant's SERP Credit Percentage.

(b) Account Adjustments. Each Participant's SERP Account shall be adjusted for each Valuation Period as if such SERP Account had been invested in the stocks that make up the Standard & Poor's 500 Index in the same proportions as their weighting within such index.

Section 4.3. Benefits Upon Separation from Service. In the event a Participant terminates employment with the Participating Employers for any reason other than death or Disability, such Participant shall be entitled to receive the Participant's Account in a single lump sum payable as soon as administratively practicable after the date that is six months after the Participant's termination of employment. A Participant's Account shall continue to be adjusted as provided in Section 4.2(b) for the period from the Participant's termination date until the payment date but no additional SERP Credits shall be made to a Participant's Account after a Participant's termination from employment with the Participating Employers.

Section 4.4. Benefits Upon Disability. In the event a Participant terminates employment with the Participating Employers due to Disability, such Participant shall be entitled to receive the Participant's Account in a single lump sum payable as soon as administratively practicable after the Participant's termination of employment due to Disability.

Section 4.5. Benefits Upon Death of Participant.

(a) Death Benefit. In the event a Participant dies prior to receiving payment of the Participant's Account, such Participant's Beneficiary shall be entitled to receive the Participant's

Account in a single lump sum payable as soon as administratively practicable after the Participant's death.

(b) Designation or Change of Beneficiary by a Participant. Each Participant may from time to time designate the person(s) or entity(ies) to whom any death benefits are to be paid under the Plan. A Participant may from time to time change such designation and upon any such change, any previously designated Beneficiary's right to receive any benefits under the Plan shall terminate. In order to be effective, any designation or change of designation of a Beneficiary must be made on a form furnished by the Company and signed by the Participant and received by the Company while the Participant is alive. If a Beneficiary of a deceased Participant shall survive the deceased Participant but die prior to the receipt of all benefits payable to said Beneficiary under the Plan, then such benefits as would have been payable to said deceased Beneficiary shall be paid to such Beneficiary's estate at the same time and in the same manner as such benefits would have been payable to said deceased Beneficiary.

(c) Beneficiary Designated by the Plan. In the event a Participant shall die without having designated a Beneficiary, or in the event that a Participant shall die having revoked an earlier Beneficiary designation without having effectively designated another Beneficiary, or in the event that a Participant shall die but the Beneficiary designated by such Participant shall fail to survive such Participant, then and in any such event, the deceased Participant's estate shall be the Participant's Beneficiary.

ARTICLE V

AMENDMENT AND TERMINATION

Section 5.1. Amendment of Plan. Subject to the provisions of Section 5.4, the Participating Employers expressly reserve the right, at any time and from time to time, to amend in whole or in part any of the terms and provisions of the Plan for whatever reason(s) the Participating Employers may deem appropriate.

Section 5.2. Termination of Plan. Subject to the provisions of Section 5.4, the Participating Employers expressly reserve the right, at any time and for whatever reason they may deem appropriate, to terminate the Plan.

Section 5.3. Effective Date and Procedure for Amendment or Termination. Subject to the provisions of Section 5.4, any amendment to the Plan or termination of the Plan may be

retroactive to the extent not prohibited by applicable law. Any amendment to the Plan or termination of the Plan shall be made by the Participating Employers by a resolution of the Committee and shall not require the approval or consent of any Participant or Beneficiary in order to be effective.

Section 5.4. Effect of Amendment or Termination on Certain Benefits. No amendment or termination of the Plan may reduce or eliminate the benefits (if any) payable under the Plan (without regard to such amendment or termination) to:

(a) any Participant who commenced receiving benefits under the Plan prior to the amendment or termination date and is alive on the amendment or termination date and the Beneficiary of such Participant; or

(b) any Beneficiary who commenced receiving benefits under the Plan prior to the amendment and termination date.

In addition, no amendment or termination of the Plan shall reduce the amount of any Participant's benefits under the Plan below the amount of such benefits determined immediately prior to such amendment or termination as if the Participant had then separated from service and was to receive such benefits in a single cash payment of the entire amount of such benefits.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Adoption by a Subsidiary Corporation. A Subsidiary Corporation may, with the approval of the Committee and the board of directors of such Subsidiary Corporation, elect to adopt the Plan as of the date mutually agreeable to the Committee and the board of directors of such Subsidiary Corporation. Any such adoption of the Plan by a Subsidiary Corporation shall be evidenced by an appropriate instrument of adoption executed by such Subsidiary Corporation.

Section 6.2. Authorization and Delegation to the Committee. Each Subsidiary Corporation which is or hereafter becomes a Participating Employer authorizes and empowers the Committee (i) to amend or terminate the Plan without further action by said Subsidiary Corporation as provided in Article V and (ii) to perform such other acts and do such other things as the Committee is expressly directed, authorized or permitted to perform or do as provided herein.

Section 6.3. Spendthrift Clause. To the extent permitted by law, no benefits payable under the Plan shall be subject to the claim of any creditor of any Participant or to any legal process

by any creditor of any Participant and no Participant entitled to benefits hereunder shall have any right whatsoever to alienate, commute, anticipate or assign any benefits under the Plan.

Section 6.4. Benefits Payable From General Assets of the Participating Employers. All benefits payable hereunder shall be paid from the general assets of the Participating Employers. No assets of the Participating Employers shall be segregated or placed in trust pursuant to the Plan in a manner which would put such asset beyond the reach of the general creditors of any of the Participating Employers, and the rights of any Participant (or Beneficiary) to receive any benefits hereunder shall be no greater than the right of any general, unsecured creditor of the Participating Employers. Nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Participating Employers and a Participant. In the event the Participating Employers purchase any insurance policies insuring the life of any Participant hereunder, no Participant shall have any rights whatsoever therein and the Participating Employers shall be the sole owner and beneficiary thereof and shall possess and exercise all incidents of ownership therein. The Company may establish a trust for the purpose of accumulating assets which may be used by the Company to satisfy some or all of its obligations to provide benefits to Participants under this Plan; provided that the assets of such trust shall remain the exclusive property of the Company and shall be available to pay creditor claims of the Company in the event of bankruptcy. Any such trust shall be administered in accordance with the terms of a separate trust agreement between the Company and a trustee.

Section 6.5. Tax Withholding. The Participating Employers shall withhold from any payment of Plan benefits to a Participant (or Beneficiary, if applicable) any federal, state or local income taxes required by law to be withheld from such payment and shall remit such taxes to the proper taxing authority(ies). The Participating Employers may elect to reduce a Participant's SERP Account or the amount of a SERP Credit to be credited to a Participant's SERP Account as necessary to pay any FICA taxes required by law to be paid due to a SERP Credit being made to such Participant's SERP Account prior to payment of the Account to the Participant.

Section 6.6. Allocation of Benefits Among the Participating Employers. The benefits payable under the Plan to a particular Participant (or Beneficiary, if applicable) shall be allocated among the Participating Employers in such proportion as shall reasonably reflect the proportion of

such Participant's benefits under the Plan that are attributable to such Participant's employment by, and compensation from, the respective Participating Employers (or their predecessors in interest).

Section 6.7. Benefits Limited to the Plan. Participation in the Plan shall not give a Participant any right to be retained in the employ of any one or more of the Participating Employers nor, upon dismissal, any right or interest in the Plan except as expressly provided herein.

ARTICLE VII CLAIMS PROCEDURE

Section 7.1. Claims Procedure.

(a) General. In the event that any person (a "Claimant") makes a claim for benefits under the Plan (a "Claim"), such Claim shall be made by the Claimant's filing a notice thereof with the Committee, within ninety (90) days after such Claimant first has knowledge of such Claim. Each Claimant who has submitted a Claim to the Committee shall be afforded a reasonable opportunity to state such Claimant's position and to present evidence and other material relevant to the Claim to the Committee for its consideration in rendering its decision with respect thereto. The Committee shall render its decision in writing within sixty (60) days after the Claim is referred to it, and a copy of such written decision shall be furnished to the Claimant.

(b) Notice of Decision of Committee. Each Claimant whose Claim has been denied by the Committee shall be provided written notice thereof, which notice shall set forth:

(1) the specific reason(s) for the denial;

(2) specific reference to pertinent provision(s) of the Plan upon which such denial is based;

(3) a description of any additional material or information necessary for the Claimant to perfect such Claim and an explanation of why such material or information is necessary; and

(4) an explanation of the procedure hereunder for review of such Claim;

all in a manner calculated to be understood by such Claimant.

(c) Review of Decision of Committee. Each such Claimant shall be afforded a reasonable opportunity for a full and fair review of the decision of the Committee denying the Claim. Such review shall be by the Committee. Such appeal shall be made within ninety (90) days

after the Claimant received the written decision of the Committee and shall be made by the written request of the Claimant or such Claimant's duly authorized representative to the Committee. In the event of appeal, the Claimant or such Claimant's duly authorized representative may review pertinent documents and submit issues and comments in writing to the Committee. The Committee shall review the following:

- (1) the initial proceedings of the Committee with respect to such Claim;
- (2) such issues and comments as were submitted in writing by the Claimant or the Claimant's duly authorized representative; and
- (3) such other material and information as the Committee, in its sole discretion, deems advisable for a full and fair review of the decision of the Committee.

The Committee may approve, disapprove or modify the decision of the Committee, in whole or in part, or may take such other action with respect to such appeal as it deems appropriate. The decision of the Committee with respect to such appeal shall be made promptly, and in no event later than sixty (60) days after receipt of such appeal, unless special circumstances require an extension of such time within which to render such decision, in which event such decision shall be rendered as soon as possible and in no event later than one hundred twenty (120) days following receipt of such appeal. The decision of the Committee shall be in writing and in a manner calculated to be understood by the Claimant and shall include specific reasons for such decision and set forth specific references to the pertinent provisions of the Plan upon which such decision is based. The Claimant shall be furnished a copy of the written decision of the Committee. Such decision shall be final and conclusive upon all persons interested therein, except to the extent otherwise provided by applicable law. Not in limitation of the foregoing, the Committee shall have the discretion to decide any factual or interpretative issues in its determination of Claims, and the Committee's exercise of such discretion shall be conclusive and binding as long as it is not arbitrary or capricious.

Section 7.2. Agent for Service of Process. The Company shall be the agent for service of legal process upon this Plan, and its address for such purpose shall be the address of its principal place of business in Greensboro, North Carolina.

IN WITNESS WHEREOF, the undersigned authorized officer of the Company has executed this instrument on behalf of the Participating Employers as of the 26th day of July, 2006.

UNIFI, INC.

By: /s/ CHARLES F. MCCOY

Name: CHARLES F. MCCOY

Title: VICE PRESIDENT

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**UNIFI, INC.'S
STOCK OPTION GRANTS
UNDER THE 1999 UNIFI, INC. LONG TERM INCENTIVE PLAN**

THIS OPTION GRANT ("Agreement") effective the _____ day of _____, by and between UNIFI, INC., a New York corporation, (hereinafter called the "Corporation"), and _____, a key employee (hereinafter called the "Optionee") of the Corporation.

WITNESSETH:

WHEREAS, the Board of Directors of Unifi, Inc. adopted, effective July 1, 1999, subject to the approval of the shareholders of the Corporation, the 1999 Unifi, Inc. Long Term Incentive Plan ("Plan") which was approved by the shareholders of the Corporation at their Annual Meeting held on October 21, 1999; and

WHEREAS, the Plan is incorporated into and forms a part of this Agreement and the Optionee has been selected by the Compensation Committee of the Board of Directors ("Committee"), consisting of three directors who satisfy the requirements of an outside director, as set forth in the Plan, to receive a stock option ("Option") under the Plan;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, and for other good and valuable consideration, it is agreed by and between the parties as follows:

Section 1. Grant of Option. The Corporation granted effective _____ ("Date of Grant") to Optionee the right, privilege, and option to purchase _____ shares of Unifi, Inc. Common Stock, \$.10 par value ("Option Shares") in the manner and subject to the conditions hereinafter set forth. The Option is intended to constitute an incentive stock option as that term is used in Code §422. If, as a result of the Option granted hereunder, the aggregate fair market value ("FMV") (determined as of the time the Option is granted) of the stock, with respect to which the incentive stock options are exercisable for the first time by the Optionee during any calendar year under this and all other incentive stock option plans (as defined by §422 of the Code, as amended) of the Corporation, would exceed \$100,000.00 any excess amount will be treated as non-qualified stock options.

Section 2. Exercise Price. The exercise price for the Option granted under Section 1 of this Agreement shall be _____ per share, the FMV of said stock on the Date of Grant, as defined in Section 12 of this Agreement.

Section 3. Time of Exercise. The Option Shares granted under Section 1 of this Agreement shall vest and become exercisable according to the following schedule:

As of the Following Anniversary of the Date of this Agreement:

The Option Shall Become Exercisable with Respect to the Following Percentage of the Option Shares:

[Insert Information]

There shall be no fractional shares vested under this vesting schedule. If the vesting schedule would entitle the participant to an option in a fractional share, such option shall be rounded up to the next whole number. The Option shall not become exercisable in accordance with the foregoing vesting schedule as of any Anniversary if the Optionee's Date of Termination, as defined in Section 12 (D), occurs before such anniversary. Exercisability under this vesting schedule is cumulative, and after the Option becomes exercisable under the above schedule with respect to any portion of the Option Shares, it shall continue to be exercisable with respect to that portion of the Option Shares until the Option expires. Notwithstanding the foregoing provisions of this Section 3, the Option shall become exercisable with respect to all of the Option Shares as follows:

- (A) The Option shall become fully vested and exercisable upon the date of the Optionee's Date of Termination by reason of the Optionee's death, disability or retirement with the approval of the Committee.
- (B) The Option shall become fully vested and exercisable upon the date of a Change of Control, if the Change in Control occurs prior to an exercise date determined in accordance with the vesting schedule set forth above, and the Optionee's Date of Termination does not occur before the Change in Control.

Section 4. Method of Exercise. This Option shall be exercised by written notice directed to Mr. William M. Lowe, Jr., Vice President, Chief Operating Officer and Chief Financial Officer of the Corporation, or Charles F. McCoy, Vice President, Secretary & General Counsel of the Corporation or other Officer as hereafter designated by the Committee ("Designated Officer") at the Corporation's principal office in Greensboro, North Carolina, or at such other office as the Corporation may designate. Such notice shall (a) set forth the number of full shares which are being exercised, (b) be signed by the person exercising the Option, (c) be accompanied by a certified or other check acceptable to the Corporation made payable to the order of the Corporation for the full purchase price of such shares or by a certificate or certificates of Unifi, Inc. common stock acceptable to the Designated Officer, the fair market value of which on the New York Stock Exchange at the close of business on the date said notice is received by the Corporation, shall equal or exceed the Option price, said certificate or certificates being duly endorsed, and (d) be accompanied by a signed investment representation letter as provided in Section 9 hereof. Such exercise shall be effective only when said properly executed notice accompanied by check or stock certificates, as referred to above, are received by the Designated Officer. The certificate or certificates for the shares issued upon the exercise of

an Option or part thereof and any shares delivered to the Corporation under subparagraph (c) of this Section 4, in excess of the Option price shall be issued or reissued, as the case may be, with or without restrictive legend, as determined by the Designated Officer, in the name of the person exercising the Option, and shall be delivered to such person. All shares issued as provided herein, will be fully paid and non-assessable.

Section 5. Withholding. Optionee, upon the exercise of an Option granted to him under this Agreement, shall pay to the Corporation in cash the amount of any tax or other amount required by any governmental authority to be withheld and paid over by the Corporation to such authority for the account of such Optionee. Notwithstanding the foregoing, the Optionee may satisfy this obligation in whole or in part, and any other local, state or federal income tax obligations resulting from the exercise or the surrender of an Option, by electing to deliver to the Corporation shares owned by the Optionee at the time of the exercise or surrender, or to have the Corporation withhold shares from the shares to which the Optionee is entitled. The number of shares to be delivered or withheld shall have a fair market value as of the date the amount of tax to be withheld is determined, those being withheld being as nearly equal to (but not exceeding) the amount of such obligation being satisfied as possible.

Section 6. Termination of Option. Except as herein otherwise stated, the Option to the extent not heretofore exercised shall terminate upon the first to occur of the following dates:

- (A) The expiration of three months from the Optionee's date of termination with the Corporation, except if such termination be by reason of death or permanent and total disability, or cause;
- (B) In the event of the death of the Optionee, the Administrator of the deceased Optionee's estate, the Executor under his Last Will and Testament, or the person or persons to whom the stock option shall have been validly transferred by such Executor or Administrator pursuant to the Last Will and Testament or the Intestacy Succession Laws shall have the right within twelve (12) months of the date of the Optionee's death, but not beyond the _____ expiration date of the Option, to exercise such Option to the extent exercisable by the Optionee at the date of his death;
- (C) In the event of the termination of the Optionee's employment due to retirement with the consent of the Board of Directors, or permanent and total disability, the Optionee shall have the right within twelve (12) months from his date of termination, but not beyond _____, the expiration date of such Option, to exercise such Option to the extent exercisable on such date of termination;
- (D) In the event the Optionee's employment with the Corporation is terminated for cause, the Optionee's date of termination.
- (E) _____, being the expiration of ten years from the grant of this Option.

Section 7. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of common stock of the Corporation shall be increased or reduced by change in par value, split, reclassification, distribution of a dividend payable in stock, or the like, the number of shares subject to Option and the Option Price per share shall be proportionately adjusted.

If the Corporation is reorganized or consolidated or merged with another corporation, Optionee shall be entitled to receive Options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions. For purposes of the preceding sentence, the excess of the aggregate fair market value of the shares subject to the Option immediately after the reorganization, consolidation, or merger over the aggregate Option Price of such shares shall not be more than the excess of the aggregate fair market value of all shares subject to the Option immediately before such reorganization, consolidation, or merger over the aggregate Option Price of such shares, and the new Option or assumption of the old Option shall not give Optionee additional benefits which he did not have under the old Option, or deprive him of benefits which he had under the old option.

Section 8. Restrictive Legend. At the sole and absolute discretion of the Designated Officer, the certificates issued under this Option, upon exercise thereof by the Optionee, may carry such restrictive legend as the Designated Officer shall determine to be appropriate.

Section 9. Purchase For Investment. By accepting this Option, the Optionee agrees that any shares of common stock purchased upon the exercise of this Option shall be acquired for investment and not for distribution, and that each notice of exercise of any portion of this Option shall be accompanied by the following representation in writing signed by him or such other person as may be exercising this Option under the provisions of Section 6 hereof:

I hereby warrant and represent that the shares being acquired by me pursuant hereto are being acquired by me with my own funds for investment for my own account and not with a view to offer for sale, or for sale in connection with, the distribution or transfer thereof. I further warrant and represent that I am not participating in or have a direct or indirect participation in the distribution or transfer of such shares, nor am I participating in or have a participation in the direct or indirect underwriting of any such distribution or transfer of the shares.

Section 10. Listing of Shares. The Optionee acknowledges and represents that Optionee has been advised by the Corporation that the shares issued under this Option may be restricted shares (not registered under the Securities and Exchange Act of 1933, as amended), and the Optionee covenants, agrees, warrants and represents that prior to any proposed sale, pledge, hypothecation, gift or transfer, for value or otherwise, of any or all of the shares or any interest therein (Transfer), the Optionee shall:

- (A) give written notice to the Corporation expressing his or her desire to affect a Transfer and describe in detail such proposed Transfer;
- (B) furnish the Corporation with written opinion of counsel reasonably acceptable to the Designated Offer that the proposed Transfer may be effected without registration under the Federal Securities Act of 1933 as then in force or any similar statute then in force (“the ‘33 Act”) and applicable State Security laws;
- (C) deliver to the Corporation such other information in relation to the proposed Transfer as the Corporation may request.

The Corporation thereafter, if, in the opinion of its general counsel, such proposed transfer can be made without registration under the ‘33 Act and applicable State law, shall notify its transfer agent to reissue said stock in accordance with the requested transfer without a restrictive legend.

If, in the opinion of the Corporation’s general counsel, the transfer cannot be made without registration under the Act and/or applicable State securities law, the Corporation shall promptly notify Optionee in writing, and the transfer shall not be made unless such registration is then in effect.

Section 11. Rights Prior to Exercise of the Option. This Option is non-transferable by the Optionee, except in the event of his death, as provided in Section 6 above, and during his or her lifetime is exercisable only by the Optionee. Optionee shall have no right as a Shareholder with respect to the Option Shares until payment of the Exercise Price, and delivery to the Optionee of such shares as herein provided.

Section 12. Definitions. For purposes of this Agreement, the terms listed below shall be defined as follows:

- (A) Fair Market Value. The Fair Market Value (“FMV”) of Unifi, Inc. Common Stock on _____ is _____ per share, being the average of the high and low prices of such stock on the New York Stock Exchange on that date.
- (B) Cause. The term “Cause” means, except as provided in an individual agreement or by the Committee, a vote of the Board resolving that the Optionee should be dismissed as a result of (i) any material breach by the Optionee of any agreement to which the Optionee and the Corporation are parties, (ii) any act (other than Retirement) or omission to act by the

Optionee which may have a material and adverse effect on the business of the Corporation or any related company or on the Optionee's ability to perform services for the Corporation or any related company, including, without limitation, the commission of any crime (other than ordinary traffic violations), or (iii) any material misconduct or neglect of duties by the Optionee in connection with the business or affairs of the Corporation or any related company.

- (C) Change in Control. In the event of a change in control of the Corporation while the Optionee is still an employee of the Corporation, prior to _____, any non-vested increments of the option, as provided in Section 3 hereof, shall immediately vest and be exercisable. For purposes of this Agreement, a change in control of the Corporation shall be deemed to have occurred if: (i) there shall be consummated (x) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of the Corporation's Common Stock would be converted into cash, securities or other property, other than a merger of the Corporation in which the holders of the Corporation's Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer other than to a subsidiary (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Corporation; or (ii) the Shareholders of the Corporation approved any plan or proposal for the liquidation or dissolution of the Corporation; or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Corporation's outstanding Common Stock; or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Corporation's Shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.
- (D) Date of Termination. The Optionee's "Date of Termination" shall be the first day occurring on or after _____ on which the Optionee's employment with the Corporation and all related companies terminates for any reason; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Optionee between the Corporation and a related company or between two related companies; and further provided that the Optionee's employment shall not be considered terminated while the Optionee is on a leave of absence from the

Corporation or a related company approved by the Optionee's employer. If, as a result of a sale or other transaction, the Optionee's employer ceases to be a related company (and the Optionee's employer is or becomes an entity that is separate from the Corporation), the occurrence of such transaction shall be treated as the Optionee's Date of Termination caused by the Optionee being discharged by the employer.

- (E) Disability. Except as otherwise provided by the Committee, the Optionee shall be considered to have a "Disability" during the period in which the Optionee is unable, by reason of a medically determinable physical or mental impairment, to engage in any substantial gainful activity, which condition, in the opinion of a physician selected by the Committee, is expected to have a duration of not less than 120 days.
- (F) Retirement. "Retirement" of the Optionee shall mean the occurrence of the Optionee's Date of Termination after age 57 with the approval of the Committee.
- (G) Plan Definitions. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

Section 13. SEC Rules and Regulations. The Option granted to the Optionee, by the Board of Directors under this Agreement, is intended to meet the eligibility requirements of the Securities and Exchange Commission's ("SEC") proposed new Rule 16b-3 issued October 1995, entitled "Transactions Between an Issuer and its Directors or Officers". Dependent upon future actions of the SEC, the Option may not be exempt under Rule 16b-3 and, therefore, may be subject to Rule 16b, the so-called "Short Swing Profit Rule", which provides for the disgorgement of any profits realized by the Optionee, as an insider, from the purchase and sale (or sale and purchase) of any of the Corporation's common stock within a six month period. The Corporation recommends that the Optionee consult with counsel prior to exercising an Option.

Section 14. Heirs and Successors. This Agreement shall be binding upon, and inure to the benefit of, the Corporation and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Corporation's assets and business. Subject to the terms of the Plan, any benefits distributable to the Optionee under this Agreement that are not distributed at the time of the Optionee's death shall be distributed at the time and in the form determined in accordance with the provisions of this Agreement and the Plan, to the beneficiary designated by the Optionee in writing filed with the Committee in such form and at such time as the Committee shall require. If a deceased Optionee fails to designate a beneficiary, or if the designated beneficiary of the deceased Optionee dies before the Optionee or before complete distribution of the benefits due under this Agreement, the amounts to be distributed under this Agreement shall be distributed to the legal

representative or representatives of the estate of the last to die of the Optionee and the beneficiary.

Section 15. Amendments. The Board of Directors of the Corporation, or the Committee, may at any time, prior to the termination date, amend this Agreement provided that no amendment may, in the absence of written consent of change by the Optionee, adversely affect the rights of the Optionee under any Option granted prior to the date such amendment is adopted.

Section 16. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement are final and binding.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its Officers, and the Optionee has hereunto set his hand and seal.

UNIFI, INC.

BY: _____

Name:

Title:

Optionee

_____ (Seal)