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):
January 7, 2011

UNIFI, INC.

(Exact name of registrant as specified in its charter)

New York	**1-10542**	**11-2165495**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7201 West Friendly Avenue **Greensboro, North Carolina**	**27410**
(Address of Principal Executive Offices)	(Zip Code)

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

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:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01. OTHER EVENTS.

Unifi, Inc. (the “Registrant”) is filing this Current Report on Form 8-K to recast its Annual Report on Form 10-K for the fiscal year ended June 27, 2010 (the “2010 Form 10-K”) to reflect the reverse stock split of the Registrant’s Common Stock (the “Reverse Stock Split”) at a reverse stock split ratio of 1-for-3, which became effective November 3, 2010. All share and per share computations in the 2010 Form 10-K have been retroactively adjusted for all periods presented to reflect the decrease in shares as a result of the Reverse Stock Split except as otherwise noted.

This recast presentation is consistent with the presentations of share and per share computations in the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2010.

Exhibits filed herewith and incorporated by reference in this Item 8.01 update the following sections in the 2010 Form 10-K for all applicable periods presented:

- Exhibit 99.1 — Part II Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities.
- Exhibit 99.2 — Part II Item 6. Selected Financial Data.
- Exhibit 99.3 — Part II Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.
- Exhibit 99.4 — Part II Item 8. Financial Statements and Supplementary Data.
- Exhibit 99.5 — Part II Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Even though those portions of the 2010 Form 10-K related to periods prior to the Reverse Stock Split, we are providing the revised information in accordance with Securities and Exchange Commission guidance to enable us to issue or incorporate by reference those financial statements and other information into subsequent registration statements that we may file with the Securities and Exchange Commission under the Securities Act of 1933, as amended.

Except for matters noted above affecting changes in presentation, matters described in “Footnote 16A. Subsequent Events” contained in Exhibit 99.4 herein, or as otherwise disclosed herein, no other information in the 2010 Form 10-K is being updated for events or developments that occurred subsequent to the filing of the 2010 Form 10-K on September 10, 2010.

Information contained in Exhibits 99.1, 99.2, 99.3, 99.4 and 99.5 should be read in conjunction with, and as a supplement to, information contained in the 2010 Form 10-K. For significant developments since the filing of the 2010 Form 10-K, please see the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 26, 2010, and other filings made with the Securities and Exchange Commission.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
99.1	Part II Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities of the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2010
99.2	Part II Item 6. Selected Financial Data of the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2010
99.3	Part II Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company’s Annual Report on Form 10-K for the fiscal year ended June 27, 2010
99.4	Part II Item 8. Financial Statements and Supplementary Data
99.5	Part II Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

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: January 7, 2011

INDEX TO EXHIBITS

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 33-23201) pertaining to the Unifi, Inc. 1982 Incentive Stock Option Plan and the 1987 Non-Qualified Stock Option Plan,

(2) Registration Statement (Form S-8 No. 33-53799) pertaining to the Unifi, Inc. 1992 Incentive Stock Option Plan and Unifi Spun Yarns, Inc. 1992 Employee Stock Option Plan,

(3) Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan,

(4) Registration Statement (Form S-8 No. 333-43158) pertaining to the Unifi, Inc. 1999 Long-Term Incentive Plan,

(5) Registration Statement (Form S-3 No. 333-140580) pertaining to the resale of 8,333,333 shares of Unifi, Inc. common stock, and

(6) Registration Statement (Form S-8 No. 333-156090) pertaining to the Unifi, Inc. 2008 Long-Term Incentive Plan;

of our report dated September 10, 2010 (except for Note 16A as to which the date is January 7, 2011), with respect to the consolidated financial statements of Unifi, Inc. included in this Form 8-K, and the financial statement schedule of Unifi, Inc. and subsidiaries included in its Annual Report on Form 10-K for the fiscal year ended June 27, 2010.

/s/ Ernst & Young LLP

Greensboro, North Carolina
January 7, 2011

PART II

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

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

	High	Low
Fiscal year 2009:(1)		
First quarter ended September 28, 2008	$14.97	$7.14
Second quarter ended December 28, 2008	16.29	6.06
Third quarter ended March 29, 2009	9.00	1.32
Fourth quarter ended June 28, 2009	5.49	1.65
Fiscal year 2010: (1)		
First quarter ended September 27, 2009	$11.07	$3.66
Second quarter ended December 27, 2009	11.34	8.10
Third quarter ended March 28, 2010	12.30	9.48
Fourth quarter ended June 27, 2010	13.11	9.90

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

As of September 1, 2010, there were 406 record holders of the Company's common stock. A significant number of the outstanding shares of common stock which are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of the Depository Trust Company, a securities depository for banks and brokerage firms. The Company estimates that there are approximately 4,100 beneficial owners of its common stock.

No dividends were paid in the past two fiscal years and none are expected to be paid in the foreseeable future. The Indenture governing the 2014 notes and the Company's Amended Credit Agreement restrict its ability to pay dividends or make distributions on its capital stock. See "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Long-Term Debt—Senior Secured Notes" and "—Amended Credit Agreement."

Purchases of Equity Securities

Effective July 26, 2000, the Board authorized the repurchase of up to 3.3 million shares of its common stock of which approximately 1.0 million shares were subsequently repurchased. The repurchase program was suspended in November 2003 and the Company has no immediate plans to reinstitute the program. There is remaining authority for the Company to repurchase approximately 2.3 million shares of its common stock under the repurchase plan. The repurchase plan has no stated expiration or termination date.

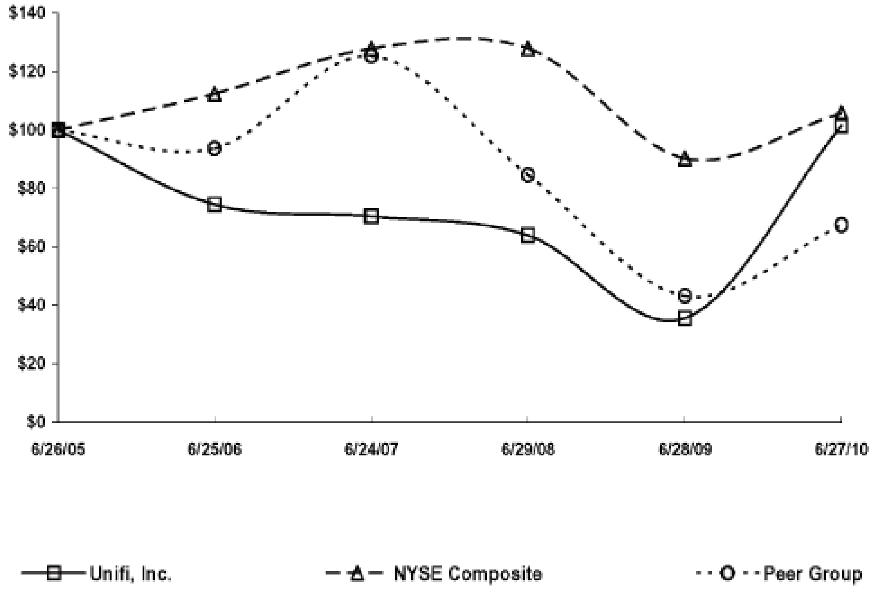
On November 25, 2009, the Company agreed to purchase 628,333 shares of its common stock at a purchase price of $7.95 per share from Invemed Catalyst Fund, L.P. (based on an approximate 10% discount to the closing price of the common stock on November 24, 2009). The transaction closed on November 30, 2009 at a total purchase price of $5 million. The purchase of the shares pursuant to the transaction was not pursuant to the repurchase plan as discussed above and does not reduce the remaining authority thereunder.

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

PERFORMANCE GRAPH — SHAREHOLDER RETURN ON COMMON STOCK

Set forth below is a line graph comparing the cumulative total Shareholder return on the Company's Common Stock with (i) the New York Stock Exchange Composite Index, a broad equity market index, and (ii) a peer group selected by the Company in good faith (the "Peer Group"), assuming in each case, the investment of $100 on June 26, 2005 and reinvestment of dividends. Including the Company, the Peer Group consists of twelve publicly traded textile companies, including Albany International Corp., Culp, Inc., Decorator Industries, Inc., Dixie Group, Inc., Hallwood Group, Inc., Hampshire Group, Limited, Interface, Inc., Joe's Jeans Inc., JPS Industries, Inc., Lydall, Inc., and Mohawk Industries, Inc.

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



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* $100 invested on 6/26/05 in stock or index, including reinvestment of dividends.

Fiscal year ending June 27, 2010.

	June 26, 2005	June 25, 2006	June 24, 2007	June 29, 2008	June 28, 2009	June 27, 2010
Unifi, Inc.	100.00	74.49	70.45	63.89	35.61	101.52
NYSE Composite	100.00	112.36	127.88	127.88	90.29	105.79
Peer Group	100.00	93.65	125.32	84.59	43.14	67.44

Exhibit 99.2

Part II.
Item 6. Selected Financial Data

	June 27, 2010 (52 Weeks)	June 28, 2009 (52 Weeks)	June 29, 2008 (53 Weeks)	June 24, 2007 (52 Weeks)	June 25, 2006 (52 Weeks)
	(Amounts in thousands, except per share date)				
Summary of Operations:					
Net sales	$ 616,753	$ 553,663	$ 713,346	$ 690,308	$ 738,665
Cost of sales	545,253	525,157	662,764	651,911	692,225
Restructuring charges (recoveries)	739	91	4,027	(157)	(254)
Write down of long-lived assets (1)	100	350	2,780	16,731	2,366
Goodwill impairment (2)	—	18,580	—	—	—
Selling, general and administrative expenses	46,183	39,122	47,572	44,886	41,534
Provision for bad debts	123	2,414	214	7,174	1,256
Other operating (income) expense, net	(1,033)	(5,491)	(6,427)	(2,601)	(1,466)
Non-operating (income) expense:					
Interest income	(3,125)	(2,933)	(2,910)	(3,187)	(6,320)
Interest expense	21,889	23,152	26,056	25,518	19,266
(Gain) loss on extinguishment of debt (3)	(54)	(251)	—	25	2,949
Equity in (earnings) losses of unconsolidated affiliates	(11,693)	(3,251)	(1,402)	4,292	(825)
Write down of investment in unconsolidated affiliates (4)	—	1,483	10,998	84,742	—
Income (loss) from continuing operations before income taxes	18,371	(44,760)	(30,326)	(139,026)	(12,066)
Provision (benefit) for income taxes	7,686	4,301	(10,949)	(21,769)	301
Income (loss) from continuing operations	10,685	(49,061)	(19,377)	(117,257)	(12,367)
Income from discontinued operations, net of tax	—	65	3,226	1,465	360
Net income (loss)	$ 10,685	$ (48,996)	$ (16,151)	$ (115,792)	$ (12,007)
Per Share of Common Stock: (basic)*					
Income (loss) from continuing operations	$ .53	$ (2.38)	$ (.96)	$ (6.26)	$ (.71)
Income from discontinued operations, net of tax	—	—	.16	.08	.02
Net income (loss)	$ .53	$ (2.38)	$ (.80)	$ (6.18)	$ (.69)
Per Share of Common Stock: (diluted)*					
Income (loss) from continuing operations	$ .52	$ (2.38)	$ (.96)	$ (6.26)	$ (.71)
Income from discontinued operations, net of tax	—	—	.16	.08	.02
Net income (loss)	$ .52	$ (2.38)	$ (.80)	$ (6.18)	$ (.69)
Balance Sheet Data:					
Working capital	$ 174,464	$ 175,808	$ 186,817	$ 196,808	$ 187,731
Gross property, plant and equipment	747,857	744,253	855,324	913,144	914,283
Total assets	504,465	476,932	591,531	665,953	737,148
Notes payable, long-term debt and other obligations (3)	166,253	182,707	205,855	238,222	203,791
Shareholders’ equity (5)	259,896	244,969	305,669	304,954	387,464

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

(1) The Company performs impairment testing on its long-lived assets and assets held for sale periodically, or when an event or change in market conditions indicates that the Company may not be able to recover its investment in the long-lived asset in the normal course of business. As a result of this testing, the Company has determined certain assets had become impaired and recorded impairment charges accordingly.

(2) In the third quarter of fiscal year 2009, the Company determined that it was appropriate to test the carrying value of its goodwill based on the decline in its market capitalization and difficult market conditions. The Company updated its cash flow forecasts based upon the latest market intelligence, its discount rate and its market capitalization values. The fair value of the domestic polyester reporting unit was determined based upon a combination of a discounted cash flow analysis and a market approach utilizing market multiples of “guideline” publicly traded companies. As a result of the findings, the Company determined that the goodwill was impaired and recorded an impairment charge of $18.6 million.

(3) In April 2006, the Company tendered an offer for all of its outstanding 6.5% senior unsecured notes due May, 2008. During the fourth quarter of fiscal year 2006, the Company recorded a $2.9 million charge which was a combination of fees associated with the tender offer and the write off of unamortized bond issuance costs related to the notes. During the fourth quarter of fiscal year 2009, the Company utilized $8.8 million of restricted cash to tender at par for a portion of its 2014 notes. In addition, the Company repurchased and retired 2014 notes having a face value of $2 million in open market purchases. The net effect of the gain on this repurchase and the write-off of the respective unamortized issuance cost related to the $8.8 million and $2 million of 2014 notes resulted in a net gain of $0.3 million.

(4) In fiscal year 2007, management determined that its investment in PAL was impaired and that the impairment was considered other than temporary. As a result, the Company recorded a non-cash impairment charge of $84.7 million to reduce the carrying value of its equity investment in PAL to $52.3 million. In fiscal year 2008, the Company determined that its investments in Unifi-SANS Technical Fibers, LLC (“USTF”) and Yihua Unifi Fibre Company Limited (“YUFI”) were impaired resulting in non-cash impairment charges of $4.5 million and $6.4 million, respectively. In fiscal year 2009, the Company recorded a non-cash impairment charge of $1.5 million to reduce its investment in YUFI in connection with selling the Company’s interest in YUFI to YCFC for $9 million.

(5) There have been no cash dividends declared for the past five fiscal years.

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

Forward-Looking Statements

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

Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. They may contain words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," "will," or words or phrases of similar meaning. They may relate to, among other things, the risks described under the caption "Item 1A—Risk Factors" above and:

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

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

Business Overview

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

Polyester Segment. The polyester segment manufactures partially oriented, textured, dyed, twisted and beamed yarns with sales to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, automotive, hosiery, furnishings, industrial and other end-use markets. The polyester segment primarily manufactures its products in Brazil, and the U.S., which has the Company's largest operations and number of locations. The polyester segment also includes a subsidiary in China focused on the sale and promotion of the Company's specialty and PVA products in the Asian textile market, primarily within China. The polyester segment also includes a newly established manufacturing facility in El Salvador. For fiscal years 2010, 2009, and 2008, polyester segment net sales were $453 million, $403 million, and $531 million, respectively.

Nylon Segment. The nylon segment manufactures textured nylon and covered spandex products with sales to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, hosiery, sock and other end-use markets. The nylon segment consists of operations in the U.S. and Colombia. For fiscal years 2010, 2009, and 2008, nylon segment net sales were $164 million, $151 million, and $183 million, respectively.

The Company's fiscal year is the 52 or 53 weeks ending on the last Sunday in June. Fiscal year 2008 had 53 weeks while fiscal years 2010 and 2009 had 52 weeks.

Line Items Presented

Net sales. Net sales include amounts billed by the Company to customers for products, shipping and handling, net of allowances for rebates. Rebates may be offered to specific large volume customers for purchasing certain quantities of yarn over a prescribed time period. The Company provides for allowances associated with rebates in the same accounting period the sales are recognized in income. Allowances for rebates are calculated based on sales to customers with negotiated rebate agreements with the Company. Non-defective returns are deducted from revenues in the period during which the return occurs. The Company records allowances for customer claims based upon its estimate of known claims and its past experience for unknown claims.

Cost of sales. The Company's cost of sales consists of direct material, delivery and other manufacturing costs, including labor and overhead, depreciation expense with respect to manufacturing assets, PP&E depreciation and reserves for obsolete and slow-moving inventory.

Selling general and administrative expenses. The Company's selling, general and administrative ("SG&A") expenses consist of selling expense (which includes sales staff compensation), advertising and promotion expense (which includes direct marketing expenses) and administrative expense (which includes corporate expenses and compensation). In addition, SG&A expenses also include depreciation and amortization with respect to certain corporate administrative and intangible assets.

Recent Developments and Outlook

Despite the Company's sales revenue for fiscal year 2010 being 14% below pre-recession fiscal year 2008 sales, the Company reported its first profitable year since 2000.

Net sales for the fiscal year 2010 were $617 million, an increase of $63 million or 11% from the prior fiscal year with year-over-year increases in the domestic and Brazilian businesses of 5.6% and 14.8%, respectively. During fiscal year 2010, as domestic retail sales recovered across the Company's core markets, most notably in the apparel and leg wear segments, the Company's sales and capacity utilization improved. In addition, the Company began to see the benefit from improvements that were made to its market share and product mix along with general economic improvements.

Net income for fiscal year 2010 was $10.7 million, or 53 cents per basic share, compared to a net loss of $49 million, or $2.38 per basic share, for the prior fiscal year. The Company's profitability was primarily due to the recovery from the global recession that began in fiscal year 2009 as well as the success of several key strategic initiatives. These initiatives included regaining regional market share, continued growth in PVA products, and manufacturing efficiency improvements. Another important part of the Company's core strategy is the ability to capitalize on regional growth opportunities throughout the world. The Company's Brazilian subsidiary contributed $130 million in net sales, $27.5 million of gross profit and $24.2 million of pre-tax income to the Company's consolidated results. The Company expects the subsidiary will continue to contribute substantially to the Company’s financial results given the success of the subsidiary’s cost saving initiatives, the local government economic assistance and the strengthening of the Brazilian currency. See “Item 1A—Risk Factors—The Company faces intense competition from a number of domestic and foreign yarn producers and importers of textile and apparel products” for a further discussion.

The Company’s China subsidiary, UTSC, reported net income of $0.6 million in fiscal year 2010. Development activities remain strong, particularly with specialty and value added products such as Repreve® which were major contributors to its volume, sales, and profitability in fiscal year 2010. The Company’s office in China continues to perform well, and the Company is pleased with the strength and mix of the sales to UTSC’s customers throughout Asia.

Adjusted EBITDA for fiscal year 2010 was $55.3 million which represents a $32 million improvement over fiscal year 2009 and is approximately the same as fiscal year 2008 despite net sales being $96.6 million or 13.5% lower than the pre-recession levels of 2008. The year-over-year increase in adjusted EBITDA is primarily attributable to improved gross profit in both the domestic and Brazilian operations as a result of increases in net sales and improvements in overall per unit conversion and per unit manufacturing cost. Please see “Review of Fiscal Year 2010 Results of Operations (52 Weeks) Compared to Fiscal Year 2009 (52 Weeks)” for further discussion of results of operations.

The Company also experienced a recovery of regional sourcing from CAFTA as imports of synthetic apparel increased by approximately 17% in the June 2010 quarter. CAFTA’s share of all synthetic apparel imports has grown for three consecutive quarters and the Company expects the region to hold its share for the remainder of the year. Having a local presence in the CAFTA region, UCA allows the Company to capitalize on growth opportunities in the region and makes the Company a stronger partner for companies with split sourcing and replenishment strategies.

During the June 2010 quarter, net sales performance from the Company’s domestic operations was particularly strong, increasing 25% compared to the prior June 2009 quarter. This improvement was driven by increased market share and positive market conditions in substantially all key segments. Year-over-year retail sales of apparel were up for the third consecutive quarter, increasing 5.4% compared to the prior year June 2009 quarter. Consumer spending on apparel has steadily recovered with spending in the June 2010 quarter just 2.9% below the pre-recession June 2008 quarter.

U.S. retail sales of home furnishings remain approximately 15% below pre-recession levels; however, they improved 2.5% in the June 2010 quarter compared to the same prior year quarter. In addition, U.S. automotive sales in the current quarter were 20% below levels reported in the June 2008 quarter, but U.S. automotive sales grew for the third consecutive quarter which drove an increase of approximately 76% in North American light vehicle production in the June 2010 quarter compared to the prior year June quarter.

Looking forward, the Company is cautiously optimistic about the continuation of these trends in retail sales based on recent history and market intelligence. The Company expects demand to remain stable or improve slightly for the next quarter. Nevertheless, the remainder of the calendar year will be heavily influenced by the performance of apparel retail sales during the holiday shopping seasons.

Much of the Company’s success in fiscal year 2010 and its performance during the recession of 2009 can be attributed to the strength of its balance sheet. Its balance sheet focus will continue to be on cash generation coupled with an opportunistic approach to debt reduction.

Beginning in 2007, the Company initiated a culture of continuous improvement in both the creation of customer value and improvement of production efficiencies over all of the Company’s operations. Over the past year, the Company expanded its efforts in manufacturing and statistical process control to all of its operations, and currently has over fifty active improvement programs, each aimed at providing measurable improvements to cost of operations and investments in working capital. The Company expects to continue these efforts through the next fiscal year. These efforts, coupled with strategic capital expenditures designed to grow its PVA product capabilities, are expected to result in continued improvement of the Company’s financial performance over the next several years. This includes a capital project related to the backward supply chain integration of its 100% recycled Repreve® product. By being more vertically integrated, the Company will improve the availability of recycled raw materials and significantly increase its product capabilities and ability to compete effectively in this growing segment. This will also make the Company an even stronger partner in the development and commercialization of value added products that meet sustainability demands of today’s brands and retailers.

Repreve Renewables, the Company’s newest joint venture, will focus on direct sales of FREEDOM™ giant miscanthus to the biofuel and biopower industries. This investment is aligned with the Company’s goal to derive value from sustainability-based initiatives and will not only provide a unique revenue stream, but it also helps support the Company’s strategy to expand the Repreve® brand and product portfolio while enhancing its commitment to being a global leader in sustainability.

On November 25, 2009, the Company agreed to purchase 628,333 shares of its common stock at a purchase price of $7.95 per share from Invemed Catalyst Fund, L.P. (based on an approximate 10% discount to the closing price of the common stock on November 24, 2009). The transaction closed on November 30, 2009 at a total purchase price of $5 million. This transaction has been adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.

While it continues to explore opportunities to grow and diversify its portfolio, the Company's top priority remains growing and continuously improving its core business. The Company will continue to strive to create shareholder value through mix enrichment, share gain, process improvement throughout the organization, and expanding the number of customers and programs using its value added yarns.

Key Performance Indicators

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

- sales volume, which is an indicator of demand;
- gross margin, which is an indicator of product mix and profitability;
- adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("adjusted EBITDA"), which the Company defines as net income or loss before income tax expense (benefit), interest expense, depreciation and amortization expense and loss or income from discontinued operations, adjusted to exclude equity in earnings and losses of unconsolidated affiliates, write down of long-lived assets and unconsolidated affiliate, non-cash compensation expense net of distributions, executive severance charges, gains or losses on sales or disposals of property, plant and equipment ("PP&E"), currency and derivative gains and losses, gain on extinguishment of debt, goodwill impairment, restructuring charges, asset consolidation and optimization expense, gain from the sale of nitrogen credits, foreign subsidiary startup costs, plant shutdown expenses, and deposit write offs, as revised from time to time, which the Company believes is a supplemental measure of its operating performance and debt service capacity; and
- adjusted working capital (accounts receivable plus inventory less accounts payable and accruals) as a percentage of sales, which is an indicator of the Company's production efficiency and ability to manage its inventory and receivables.

Results of Operations

	Fiscal Years Ended		
	June 27, 2010 (52 Weeks)	June 28, 2009 (52 Weeks)	June 29, 2008 (53 Weeks)
		(Amounts in thousands)	
Summary of Consolidated Operations:			
Net sales	$ 616,753	$ 553,663	$ 713,346
Cost of sales	545,253	525,157	662,764
Other operating expenses, net	46,112	55,066	48,166
Non-operating expense, net	7,017	18,200	32,742
Income (loss) from continuing operations before income taxes	18,371	(44,760)	(30,326)
Provision (benefit) for income taxes	7,686	4,301	(10,949)
Income (loss) from continuing operations	10,685	(49,061)	(19,377)
Income from discontinued operations, net of tax	—	65	3,226
Net income (loss)	$ 10,685	$ (48,996)	$ (16,151)

Adjusted EBITDA is a financial measurement that management uses to facilitate its analysis and understanding of the Company's business operations. Management believes it is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company. The calculation of Adjusted EBITDA is a subjective measure based on management's belief as to which items should be included or excluded, in order to provide the most reasonable view of the underlying operating performance of the business. Adjusted EBITDA and adjusted working capital are not considered to be in accordance with generally accepted accounting principles ("non-GAAP measure") and should not be considered a substitute for performance measures calculated in accordance with GAAP.

	Fiscal Years Ended		
	June 27, 2010 (52 Weeks)	June 28, 2009 (52 Weeks)	June 29, 2008 (53 Weeks)
		(Amounts in thousands)	
Net income (loss)	$ 10,685	$ (48,996)	$ (16,151)
Interest expense, net	18,764	20,219	23,146
Depreciation and amortization expense	26,312	31,326	40,416
Provision (benefit) for income taxes	7,686	4,301	(10,949)
Income from discontinued operations, net of tax	—	(65)	(3,226)
Equity in earnings of unconsolidated affiliates	(11,693)	(3,251)	(1,402)
Non-cash compensation, net of distributions	2,555	1,500	359
Loss (gain) on sales or disposals of PP&E	680	(5,856)	(4,003)
Currency and derivative (gains) losses	(145)	354	(265)
Write down of long-lived assets and unconsolidated affiliates	100	1,833	13,778
Gain on extinguishment of debt	(54)	(251)	—
Goodwill impairment	—	18,580	—
Restructuring charges	739	53	4,027
Gain from sale of nitrogen credits	(1,400)	—	—
Foreign subsidiary startup costs (1)	1,027	—	—
Asset consolidation and optimization expense (2)	—	3,508	—
Plant shutdown expenses	—	30	3,742
Executive severance charges	—	—	4,517
Deposit write offs (3)	—	—	1,248
Adjusted EBITDA	$ 55,256	$ 23,285	$ 55,237

(1) Initial UCA operating expenses incurred during fiscal year 2010 related to pre-operating expenses including the hiring and training of new employees and the costs of operating personnel to initiate the new operations. Start-up expenses also include losses incurred in the period subsequent to when UCA assets became available for use but prior to the achievement of a reasonable level of production.

(2) Asset consolidation and optimization expense represent the costs related to the abnormally high loss of production when consolidating the Company's Staunton, Virginia facility to Yadkinville, North Carolina and when installing additional automation systems in the Yadkinville POY facility.

(3) Deposit write offs represent lost retainer fees the Company had with investment bankers for future acquisition services.

Corporate Restructurings

Severance

On August 2, 2007, the Company announced the closure of its Kinston, North Carolina polyester facility. The Kinston facility produced POY for internal consumption and third party sales. The Company continues to produce POY in the Yadkinville, North Carolina facility for its commodity, specialty and premium value yarns and purchases the remainder of its commodity POY needs from external suppliers. During fiscal year 2008, the Company recorded $1.3 million for severance related to its Kinston consolidation. Approximately 231 employees which included 31 salaried positions and 200 wage positions were affected as a result of this reorganization.

On August 22, 2007, the Company announced its plan to re-organize certain corporate staff and manufacturing support functions to further reduce costs. The Company recorded $1.1 million for severance related to this reorganization. Approximately 54 salaried employees were affected by this reorganization. The severance expense is included in the restructuring charges line item in the Consolidated Statements of Operations. In addition, the Company recorded severance of $2.4 million for its former CEO and $1.7 million for severance related to its former Chief Financial Officer ("CFO") during fiscal year 2008.

On May 14, 2008, the Company announced the closure of its polyester facility located in Staunton, Virginia and the transfer of certain production to its facility in Yadkinville, North Carolina which was completed in November 2008. During the first quarter of fiscal year 2009, the Company recorded $0.1 million for severance related to its Staunton consolidation. Approximately 40 salaried and wage employees were affected by this reorganization.

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

Restructuring

On October 25, 2006, the Company's Board approved the purchase of the assets of the yarn division of Dillon. This approval was based on a business plan which assumed certain significant synergies that were expected to be realized from the elimination of redundant overhead, the rationalization of under-utilized assets and certain other product optimization. The preliminary asset rationalization plan included exiting two of the three production activities that were operating at the Dillon facility and moving them to other Unifi manufacturing facilities. The plan was to be finalized once operations personnel from the Company would have full access to the Dillon facility, in order to determine the optimal asset plan for the Company's anticipated product mix. This plan was consistent with the Company's domestic market consolidation strategy. On January 1, 2007, the Company completed the Dillon asset acquisition.

Concurrent with the acquisition the Company entered into a Sales and Services Agreement (the "Agreement"). The Agreement covered the services of certain Dillon personnel who were responsible for product sales and certain other personnel that were primarily focused on the planning and operations at the Dillon facility. The services would be provided over a period of two years at a fixed cost of $6 million. In the fourth quarter of fiscal year 2007, the Company finalized its plan and announced its decision to exit its recently acquired Dillon polyester facility.

The closure of the Dillon facility triggered an evaluation of the Company's obligations arising under the Agreement. The Company determined from this evaluation that the fair value of the services to be received under the Agreement were significantly lower than the obligation to Dillon. As a result, the Company determined that a portion of the obligation should be considered an unfavorable contract. The Company concluded that costs totaling approximately $3 million relating to services provided under the Agreement were for the ongoing benefit of the combined business and therefore should be reflected as an expense in the Company's Consolidated Statements of Operations, as incurred. The remaining Agreement costs totaling $2.9 million were for the personnel involved in the planning and operations of the Dillon facility and related to the time period after shutdown in June 2007. Therefore, these costs were reflected as an assumed purchase liability since these costs no longer related to the generation of revenue and had no future economic benefit to the combined business.

In fiscal year 2008, the Company recorded $3.4 million for restructuring charges related to contract termination costs and other noncancellable contracts for continued services after the closing of the Kinston facility. See the Severance discussion above for further details related to Kinston.

During the fourth quarter of fiscal year 2009, the Company recorded $0.2 million of restructuring recoveries related to retiree reserves.

On January 11, 2010, the Company announced that it created UCA. With a base of operations established in El Salvador, UCA serves customers in the Central American region. The Company began dismantling and relocating polyester twisting and texturing equipment to the region during the third quarter of fiscal year 2010 and expects to complete the relocation by the second quarter of fiscal year 2011. The Company expects to incur approximately $1.6 million in polyester equipment relocation costs of which $0.8 million was incurred during fiscal year 2010. In addition, the Company expects to incur $0.7 million related to reinstallation of idle texturing equipment in its Yadkinville, North Carolina facility.

The table below summarizes changes to the accrued severance and accrued restructuring accounts for the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008 (amounts in thousands):

	Balance at June 28, 2009	Additional Charges	Adjustments	Amounts Used	Balance at June 27, 2010
Accrued severance	$1,687	$—	$20	$(1,406)	$301(1)

	Balance at June 29, 2008	Additional Charges	Adjustments	Amounts Used	Balance at June 28, 2009
Accrued severance	$3,668	$371	$ 5	$(2,357)	$1,687(2)
Accrued restructuring	1,414	—	224	(1,638)	—

	Balance at June 24, 2007	Additional Charges	Adjustments	Amounts Used	Balance at June 29, 2008
Accrued severance	$ 877	$6,533	$ 207	$(3,949)	$3,668(3)
Accrued restructuring	5,685	3,125	(176)	(7,220)	1,414

(1) There was no executive severance classified as long-term as of June 27, 2010.

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

(3) As of June 29, 2008, the Company classified $1.7 million of the executive severance as long-term.

Joint Ventures and Other Equity Investments

YUFI. In August 2005, the Company formed YUFI, a 50/50 joint venture with YCFC, to manufacture, process and market polyester filament yarn in YCFC's facilities in Yizheng, Jiangsu Province, China. During fiscal year 2008, the Company's management explored strategic options with its joint venture partner in China with the ultimate goal of determining if there was a viable path to profitability for YUFI. Management concluded that although YUFI had successfully grown its position in high value and PVA products, commodity sales would continue to be a large and unprofitable portion of the joint venture's business, due to cost constraints. In addition, the Company believed YUFI had focused too much attention and energy on non-value added issues, distracting management from its primary PVA objectives. Based on these conclusions, the Company decided to exit the joint venture and on July 30, 2008, the Company announced that it had reached a proposed agreement to sell its 50% interest in YUFI to its partner for $10 million.

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

The Company expected to close the transaction in the second quarter of fiscal year 2009 pending negotiation and execution of definitive agreements and Chinese regulatory approvals. The agreement provided for YCFC to immediately take over operating control of YUFI, regardless of the timing of the final approvals and closure of the equity sale transaction. During the first quarter of fiscal year 2009, the Company gave up one of its senior staff appointees and YCFC appointed its own designee as General Manager of YUFI, who assumed full responsibility for the operating activities of YUFI at that time. As a result, the Company lost its ability to influence the operations of YUFI and therefore the Company switched from the equity method of accounting for its investment in the joint venture to the cost method and consequently ceased recording its share of losses commencing in the same quarter. The Company recognized equity losses of $6.1 million for fiscal year 2008.

In December 2008, the Company renegotiated the proposed agreement to sell its interest in YUFI to YCFC for $9 million and recorded an additional impairment charge of $1.5 million, which included $0.5 million related to certain disputed accounts receivable and $1 million related to the fair value of its investment, as determined by the re-negotiated equity interest sales price which was lower than carrying value.

On March 30, 2009, the Company closed on the sale and received $9 million in proceeds related to its investment in YUFI. The Company continues to service customers in Asia through UTSC which is primarily focused on the development, sales and service of specialty and PVA yarns. UTSC is located outside of Shanghai in Suzhou New District, which is in Jiangsu Province.

PAL. In June 1997, the Company contributed all of the assets of its spun cotton yarn operations, utilizing open-end and air jet spinning technologies, into PAL, a joint venture with Parkdale Mills, Inc. in exchange for a 34% ownership interest in the joint venture. PAL is a producer of cotton and synthetic yarns for sale to the textile and apparel industries primarily within North America. PAL has 15 manufacturing facilities located in North Carolina, South Carolina, Virginia, and Georgia and participates in a joint venture in Mexico.

PAL receives benefits under the Food, Conservation, and Energy Act of 2008 ("2008 U.S. Farm Bill") which extended the existing upland cotton and extra long staple cotton programs (the "Program"), including economic adjustment assistance provisions for ten years. Beginning August 1, 2008, the Program provided textile mills a subsidy of four cents per pound on eligible upland cotton consumed during the first four years and three cents per pound for the last six years. The economic assistance received under this Program must be used to acquire, construct, install, modernize, develop, convert or expand land, plant, buildings, equipment, or machinery. Capital expenditures must be directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the U.S. The recipients have the marketing year from August 1 to July 31, plus eighteen months to make the capital expenditures. Under the Program, the subsidy payment is received from the U.S. Department of Agriculture ("USDA") the month after the eligible cotton is consumed. However, the economic assistance benefit is not recognized by PAL into operating income until the period when both criteria have been met; i.e. eligible upland cotton has been consumed, and qualifying capital expenditures under the Program have been made.

On October 19, 2009 PAL notified the Company that approximately $8 million of the capital expenditures recognized for fiscal year 2009 had been preliminarily disqualified by the USDA. PAL appealed the decision with the USDA. In November 2009, PAL notified the Company that the USDA had denied the appeal and PAL filed a second appeal for a higher level review and a hearing took place during the Company's third quarter of fiscal year 2010. As a result of this process, PAL recorded a $4.1 million unfavorable adjustment to its 2009 earnings related to economic assistance from the USDA that was disqualified offset by $0.6 million related to inventory valuation adjustments in the March 2010 quarter. As a result, the Company recorded a $1.2 million unfavorable adjustment for its share of the prior year economic assistance and inventory valuation adjustments.

PAL received $22.3 million of economic assistance under the program during the Company's fiscal year ended June 27, 2010 and, in accordance with the program provisions, recognized $17.6 million in economic assistance in its operating income. As of June 27, 2010, PAL's deferred revenue relating to this Program was $13.4 million which PAL expects to be fully realized through the completion of qualifying capital expenditures within the timelines prescribed by the Program.

On October 28, 2009, PAL acquired certain real property and machinery and equipment, as well as entered into lease agreements for real property and machinery and equipment, that constitute most of the yarn manufacturing operations of HBI. Concurrent with the transaction, PAL entered into a yarn supply agreement with HBI to supply at least 95% of the yarn used in the manufacturing of HBI's apparel products at any of HBI's locations in North America, Central America, or the Caribbean Basin for a six-year period with an option for HBI to extend for two additional three-year periods. The supply agreement also covers certain yarns used in manufacturing in China through December 31, 2011.

The Company's investment in PAL at June 27, 2010 was $65.4 million and the underlying equity in the net assets of PAL at June 27, 2010 was $83.4 million. The difference between the carrying value of the Company's investment in PAL and the underlying equity in PAL is attributable to initial excess capital contributions by the Company of $53.4 million, the Company's share of the settlement cost of an anti-trust lawsuit against PAL in which the Company did not participate of $2.6 million, and the Company's share of other comprehensive income of $0.1 million offset by an impairment charge taken by the Company on its investment in PAL of $74.1 million.

UNF. On September 27, 2000, the Company formed UNF a 50/50 joint venture with Nilit, which produces nylon POY at Nilit's manufacturing facility in Migdal Ha-Emek, Israel. The Company's investment in UNF at June 27, 2010 was $2.7 million.

UNF America. On October 8, 2009, the Company formed a new 50/50 joint venture, UNF America, with Nilit for the purpose of producing nylon POY in Nilit's Ridgeway, Virginia plant. The Company's initial investment in UNF America was $50 thousand dollars. In addition, the Company loaned UNF America $0.5 million for working capital. The loan carries interest at LIBOR plus one and one-half percent and both principal and interest shall be paid from the future profits of UNF America at such time as deemed appropriate by its members. The loan is being treated as an additional investment by the Company for accounting purposes.

In conjunction with the formation of UNF America, the Company entered into a supply agreement with UNF and UNF America whereby the Company is committed to purchase its requirements, subject to certain exceptions, for first quality nylon POY for texturing (excluding specialty yarns) from UNF or UNF America. Pricing under the contract is negotiated every six months and is based on market rates.

Repreve Renewable, LLC. On April 26, 2010, the Company entered into an agreement to form a new joint venture, Repreve Renewables. This joint venture was established for the purpose of acquiring the assets and the expertise related to the business of cultivating, growing, and selling biomass crops, including feedstock for establishing biomass crops that are intended to be used as a fuel or in the production of fuels or energy in the U.S. and the European Union. The Company received a 40% ownership interest in the joint venture for its contribution of $4 million. In addition, the Company contributed $0.3 million for its share of initial working capital.

Condensed combined balance sheet information and income statement information as of June 27, 2010, June 28, 2009, and June 29, 2008 of the combined unconsolidated equity affiliates were as follows (amounts in thousands):

	June 27, 2010		
	PAL	**Other**	**Total**
Current assets	$198,958	$11,497	$210,455
Noncurrent assets	120,380	12,466	132,846
Current liabilities	48,220	5,238	53,458
Noncurrent liabilities	25,621	2,000	27,621
Shareholders' equity and capital accounts	245,497	16,725	262,222

	June 28, 2009		
	PAL	Other	Total
Current assets	$150,542	$2,329	$152,871
Noncurrent assets	98,460	3,433	101,893
Current liabilities	21,755	1,080	22,835
Noncurrent liabilities	8,405	—	8,405
Shareholders’ equity and capital accounts	218,842	4,682	223,524

	Fiscal Year Ended June 27, 2010		
	PAL	Other	Total
Net sales	$599,926	$22,915	$622,841
Gross profit	53,715	3,481	57,196
Depreciation and amortization	21,245	1,599	22,844
Income from operations	37,388	1,508	38,896
Net income	37,660	1,296	38,956

	Fiscal Year Ended June 28, 2009		
	PAL	Other	Total
Net sales	$408,841	$18,159	$427,000
Gross profit (loss)	24,011	(2,349)	21,662
Depreciation and amortization	18,805	1,896	20,701
Income (loss) from operations	14,090	(3,649)	10,441
Net income (loss)	10,367	(3,338)	7,029

	Fiscal Year Ended June 29, 2008		
	PAL	Other	Total
Net sales	$460,497	$172,108	$632,605
Gross profit (loss)	21,504	(6,799)	14,705
Depreciation and amortization	17,777	8,486	26,263
Income (loss) from operations	10,437	(15,652)	(5,215)
Net income (loss)	24,269	(16,258)	8,011

Review of Fiscal Year 2010 Results of Operations (52 Weeks) Compared to Fiscal Year 2009 (52 Weeks)

The following table sets forth the income (loss) from continuing operations components for each of the Company's business segments for fiscal year 2010 and fiscal year 2009. The table also sets forth each of the segments' net sales as a percent to total net sales, the net income (loss) components as a percent to total net sales and the percentage increase or decrease of such components over the prior year:

	Fiscal Year 2010		Fiscal Year 2009		
	(Amounts in thousands, except percentages)				
		% to Total		% to Total	% Inc. (Dec.)
Consolidated					
Net sales					
Polyester	$452,674	73.4	$403,124	72.8	12.3
Nylon	164,079	26.6	150,539	27.2	9.0
Total	$616,753	100.0	$553,663	100.0	11.4
		% to Net Sales		% to Net Sales	
Cost of sales					
Polyester	$401,640	65.1	$386,201	69.8	4.0
Nylon	143,613	23.3	138,956	25.1	3.4
Total	545,253	88.4	525,157	94.9	3.8
Restructuring charges (recoveries)					
Polyester	739	0.1	199	—	271.4
Nylon	—	—	73	—	—
Corporate	—	—	(181)	—	—
Total	739	0.1	91	—	712.1
Write down of long-lived assets					
Polyester	100	—	350	—	(71.4)
Nylon	—	—	—	—	—
Total	100	—	350	—	(71.4)
Goodwill impairment					
Polyester	—	—	18,580	3.4	—
Nylon	—	—	—	—	—
Total	—	—	18,580	3.4	—
Selling, general and administrative expenses					
Polyester	36,576	5.9	30,972	5.6	18.1
Nylon	9,607	1.6	8,150	1.5	17.9
Total	46,183	7.5	39,122	7.1	18.0
Provision for bad debts	123	—	2,414	0.4	(94.9)
Other operating (income) expenses, net	(1,033)	(0.1)	(5,491)	(1.0)	(81.2)
Non-operating (income) expenses, net	7,017	1.1	18,200	3.3	(61.4)
Income (loss) from continuing operations before income taxes	18,371	3.0	(44,760)	(8.1)	(141.0)
Provision for income taxes	7,686	1.3	4,301	0.8	78.7
Income (loss) from continuing operations	10,685	1.7	(49,061)	(8.9)	(121.8)
Income from discontinued operations, net of tax	—	—	65	0.1	—
Net income (loss)	$ 10,685	1.7	$ (48,996)	(8.8)	(121.8)

For fiscal year 2010, the Company recognized $18.4 million of income from continuing operations before income taxes which was an increase of $63.1 million over the prior year. The increase in income from continuing operations was primarily attributable to improved gross profit in both the domestic and Brazilian operations as a result of improvements in retail demand in the Company's core markets year-over-year and a reduction in goodwill impairment charges recorded in fiscal year 2009.

Consolidated net sales from continuing operations increased by $63.1 million, or 11.4%, for fiscal year 2010 compared to the prior year. For the fiscal year 2010, unit sales volumes increased by 15.9% reflecting improvements in both the domestic and Brazilian operations. As compared to the prior year, polyester volumes increased by 16.5% and nylon volumes increased by 11.3%. The increase in sales volumes was attributable to the recovery from the recent global economic downturn which had impacted all textile supply chains and markets. The weighted-average selling price per pound for the Company's products on a consolidated basis decreased 4.5% as compared to the prior fiscal year. Refer to the segment operations under the captions "Polyester Operations" and "Nylon Operations" for a further discussion of each segment's operating results.

Consolidated gross profit from continuing operations increased $43 million to $71.5 million for fiscal year 2010. This increase in gross profit was primarily attributable to higher sales volumes, improved conversions (net sales less raw material cost) and improved per unit manufacturing costs for both the polyester and nylon segments which resulted in a gross margin increase from 5.1% to 11.6%. Consolidated conversion per unit improved 5.1% as the Company recovered previously lost margins resulting from significantly higher raw material cost in the prior year. However, this recovery was mitigated by the impact of rising average raw material prices which began during the second quarter of fiscal year 2010. Gross profit was also positively impacted by improvements in manufacturing costs which declined 17.1% on a per unit basis. The improvements in manufacturing costs were attributable to increased capacity utilization and to the Company's continued focus on process improvements over the past fiscal year. Refer to the segment operations under the captions "Polyester Operations" and "Nylon Operations" for a further discussion of each segment's operating results.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses increased by $7.1 million or 18.0% for fiscal year 2010. The increase in SG&A for fiscal year 2010 was primarily a result of increases of $5.2 million in fringe benefits which is primarily related to the Company's dramatic year-over-year performance improvement. The remaining SG&A expenses increased by $1 million due to non-cash deferred compensation costs related to stock option grants, $0.5 million in other SG&A expenses, $0.2 million in employee relation expenses, and $0.2 million in sales and marketing expenses.

Provision for Bad Debts

For fiscal year 2010, the Company recorded a $0.1 million provision for bad debts. This compares to a provision of $2.4 million recorded in the prior fiscal year. In fiscal year 2009, the Company experienced unfavorable adjustments as a result of the global decline in economic conditions, however in fiscal year 2010, the Company recorded favorable adjustments to the reserve related to the improved health of the economy and the related impact on the Company's accounts receivable aging.

Other Operating (Income) Expense, Net

Other operating (income) expense decreased from $5.5 million of income in fiscal year 2009 to $1 million of income in fiscal year 2010. The following table shows the components of other operating (income) expense:

	Fiscal Years Ended	
	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Net (gain) loss on sale or disposal of PP&E	$ 680	$ (5,856)
Gain from sale of nitrogen credits	(1,400)	—
Currency (gains) losses	(145)	354
Other, net	(168)	11
	$ (1,033)	$ (5,491)

On September 29, 2008, the Company entered into an agreement to sell certain real property and related assets located in Yadkinville, North Carolina for $7 million. On December 19, 2008, the Company completed the sale which resulted in net proceeds of $6.6 million and a net pre-tax gain of $5.2 million in the second quarter of fiscal year 2009. During the third quarter of fiscal year 2010, the Company received $1.4 million from the sale of nitrogen credits related to the Kinston sales agreement as discussed in “Footnote 7-Assets Held for Sale” of the Company’s consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Interest Expense (Interest Income)

Interest expense decreased from $23.2 million in fiscal year 2009 to $21.9 million in fiscal year 2010 primarily due to lower average outstanding debt related to the Company’s 2014 notes. The Company had no outstanding borrowings under its Amended Credit Agreement as of June 27, 2010 and June 28, 2009. The weighted average interest rate of Company debt outstanding at June 27, 2010 and June 28, 2009 was 11.5% and 11.4%, respectively. Interest income was $3.1 million in fiscal year 2010 and $2.9 million in fiscal year 2009.

Equity in (Earnings) Losses of Unconsolidated Affiliates

Equity in net income of the Company’s unconsolidated equity affiliates was $11.7 million in fiscal year 2010 compared to $3.3 million in fiscal year 2009. The Company’s 34% share of PAL’s earnings increased from $4.7 million of income in fiscal year 2009 to $11.6 million of income in fiscal year 2010 primarily due to improved economic conditions, the HBI supply agreement and the timing of the recognition of income related to the economic assistance benefits as discussed above in the “Joint Ventures and Other Equity Investments” section.

Income Taxes

Income (loss) from continuing operations before income taxes is as follows:

	Fiscal Years Ended	
	June 27, 2010	**June 28, 2009**
	(Amounts in thousands)	
Income (loss) from continuing operations before income taxes:		
United States	$ (4,399)	$ (54,310)
Foreign	22,770	9,550
	$ 18,371	$ (44,760)

The provision for (benefit from) income taxes applicable to continuing operations for fiscal years 2010 and 2009 consists of the following:

	Fiscal Years Ended	
	June 27, 2010	**June 28, 2009**
	(Amounts in thousands)	
Current:		
Federal	$ (48)	$ —
Foreign	8,325	3,927
	8,277	3,927
Deferred:		
Foreign	(591)	374
	(591)	374
Income tax provision	$ 7,686	$ 4,301

The Company recognized income tax expense at an effective tax rate of 41.8% and 9.6% for fiscal year 2010 and 2009 respectively. A reconciliation of the provision for (benefit from) income taxes with the amounts obtained by applying the federal statutory tax rate is as follows:

	Fiscal Years Ended	
	June 27, 2010	**June 28, 2009**
Federal statutory tax rate	35.0%	(35.0)%
State income taxes, net of federal tax benefit	(0.4)	(3.9)
Foreign income taxed at lower rates	(5.6)	2.1
Repatriation of foreign earnings	8.4	(3.9)
North Carolina investment tax credits expiration	5.2	2.2
Change in valuation allowance	(0.4)	45.2
Nondeductible expenses and other	(0.4)	2.9
Effective tax rate	41.8%	9.6%

In fiscal year 2008, the Company accrued federal income tax on $5 million of dividends expected to be distributed from a foreign subsidiary in future fiscal periods and $0.3 million of dividends distributed from a foreign subsidiary during fiscal year 2008. During the third quarter of fiscal year 2009, management revised its assertion with respect to the repatriation of $5 million of dividends and at that time intended to permanently reinvest this $5 million amount outside of the U.S. During fiscal year 2010, the Company repatriated current foreign earnings of $5.2 million for which the Company recorded an accrual of the related federal income taxes. All remaining undistributed earnings are deemed to be indefinitely reinvested.

As of June 27, 2010, the Company has $53.7 million in federal net operating loss carryforwards and $40.5 million in state net operating loss carryforwards that may be used to offset future taxable income. The Company also has $1.9 million in North Carolina investment tax credits and $0.3 million of charitable contribution carryforwards, the deferred income tax effects of which are fully offset by valuation allowances. The Company accounts for investment credits using the flow-through method. These carryforwards, if unused, will expire as follows:

Federal net operating loss carryforwards	2024 through 2030
State net operating loss carryforwards	2011 through 2030
North Carolina investment tax credit carryforwards	2011 through 2015
Charitable contribution carryforwards	2011 through 2015

The Company had a valuation allowance of $40 million and $40.1 million for fiscal years 2010 and 2009 respectively. The $0.1 million net decrease in fiscal year 2010 resulted primarily from a decrease in temporary differences and the expiration of state income tax credit carryforwards which were offset by an increase in federal net operating loss carryforwards.

Significant judgment is required in estimating valuation allowances for deferred tax assets. A valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more likely than not that such asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. The Company periodically assesses the need for valuation allowances for deferred tax assets. In its assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and magnitude of current and cumulative income and losses, forecasts of future profitability, the duration of statutory carryback or carryforward periods, the Company’s experience with operating loss and tax credit carryforwards being used before expiration, and tax planning alternatives.

The Company’s assessment of the need for a valuation allowance on its deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in the Company’s consolidated financial statements or tax returns. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, on business plans and other expectations about future outcomes. Changes in existing tax laws or rates could affect actual tax results and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Accounting for deferred tax assets represents the Company’s best estimate of future events.

Significant components of the Company's deferred tax assets and liabilities as of June 27, 2010 and June 28, 2009 were as follows:

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Deferred tax assets:		
Investments in unconsolidated affiliates	$ 16,331	$ 18,882
State tax credits	1,391	2,347
Accrued liabilities and valuation reserves	8,748	11,080
Net operating loss carryforwards	20,318	17,663
Intangible assets	8,483	8,809
Charitable contributions	222	253
Other items	2,428	2,392
Total gross deferred tax assets	57,921	61,426
Valuation allowance	(39,988)	(40,118)
Net deferred tax assets	17,933	21,308
Deferred tax liabilities:		
PP&E	15,791	20,114
Other	616	387
Total deferred tax liabilities	16,407	20,501
Net deferred tax asset	$ 1,526	$ 807

Polyester Operations

The following table sets forth the segment operating income (loss) components for the polyester segment for fiscal year 2010 and fiscal year 2009. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2010		Fiscal Year 2009		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 452,674	100.0	$ 403,124	100.0	12.3
Cost of sales	401,640	88.7	386,201	95.8	4.0
Restructuring charges	739	0.2	199	0.0	271.4
Write down of long-lived assets	100	0.0	350	0.1	(71.4)
Goodwill impairment	—	—	18,580	4.6	—
Selling, general and administrative expenses	36,576	8.1	30,972	7.7	18.1
Segment operating income (loss)	$ 13,619	3.0	$ (33,178)	(8.2)	(141.0)

In fiscal year 2010, consolidated polyester net sales increased by $49.6 million, or 12.3% compared to fiscal year 2009. The Company's polyester segment sales volumes increased approximately 16.5% and the weighted-average selling price decreased approximately 4.2%. Polyester segment sales exclusive of intercompany eliminations consist of $314 million from the U.S. manufacturing operations, $130 million from the Brazilian manufacturing operations, $18.2 million from the China sales operations, and $3.9 million from the UCA resale operations compared to $291 million, $114 million, $3 million, and nil, respectively in fiscal year 2009.

Domestically, polyester net sales increased by $14.5 million, or 5.1% as compared to fiscal year 2009. Domestic sales volumes increased 12.8% while the weighted-average selling price decreased approximately 7.8%. The improvement in domestic polyester sales volume in fiscal year 2010 related to increases in domestic retail sales which favorably impacted the Company's core markets when compared to fiscal year 2009. The decrease in domestic weighted-average selling price reflected a shift of the Company's sales product mix to a higher percentage of commodity products to fully utilize the Company's manufacturing capacity.

The Company's Chinese subsidiary, UTSC, increased its polyester net sales to $18.2 million in fiscal year 2010 as compared to $3 million in fiscal year 2009 as the Company strategically improved its development, sourcing, resale and servicing of PVA products in the Asian region. UTSC began selling products to its customers in February 2009.

Gross profit for the consolidated polyester segment increased by $34.1 million, or 201.6%, over fiscal year 2009. Gross margin increased from 4.2% in fiscal year 2009 to 11.3% in fiscal year 2010. Polyester conversion dollars improved on a per unit basis by 7.3% while per unit manufacturing costs decreased by 18.1%. The decrease in manufacturing costs consisted of decreased per unit variable manufacturing costs of 16.1% and decreased per unit fixed manufacturing costs of 22.2% as a result of significantly higher sales related to higher capacity utilization levels.

Domestic polyester gross profit increased by $18.8 million over fiscal year 2009 primarily as a result of improved conversion dollars and lower manufacturing costs. Domestic polyester conversion increased by $10.5 million but decreased 1.6% on a per unit basis due to a lower margin sales mix and higher volumes. Variable manufacturing costs decreased by $2.9 million, and on a per pound basis, decreased 15.1% primarily as a result of operational improvements implemented during the past fiscal year which resulted in lower wage expenses of $2 million as well as higher capacity utilization rates. As compared to fiscal year 2009, fixed manufacturing costs declined by $5.4 million primarily as a result of decreases in depreciation expense of $2.9 million, allocated expenses from the Company's former China joint venture of $1 million, expense projects of $0.8 million, and property tax expenses of $0.6 million.

On a local currency basis, gross profit for the Company's Brazilian operation increased by R$21.5 million, or 64.4% on a per pound basis for the year ended June 27, 2010 compared to the prior year. Net sales increased R$5.8 million or 2.5% however sales prices declined 4.6% on a per unit basis due in part to local competition in the Brazilian market. Brazilian polyester sales volumes increased by 7.5% over the prior fiscal year. Conversion improved 29.0% on a per unit basis which was mainly driven by declines in per unit raw material costs of 17.1% related to improved fiber costs. The strengthening Brazilian exchange rate over the U.S. dollar gave the subsidiary more purchasing power since it purchases most of its raw materials in U.S. dollars. Variable manufacturing costs increased R$0.9 million due to a higher sales percentage of manufactured products versus resale products while decreasing 3.2% on a per pound basis reflecting a higher capacity utilization rate. Fixed manufacturing costs increased R$1.5 million due to the higher mix of manufactured products sold while decreasing 7.9% on a per pound basis. On a U.S. dollar basis net sales increased by $16.7 million or 14.8% in fiscal year 2010 compared to the prior year primarily as a result of $13.1 million in positive currency exchange impact. Gross profit increased by $12.9 million, or 75.2% on a per unit basis.

SG&A expenses for the polyester segment increased by $5.6 million or 18.1% for fiscal year 2010 compared to fiscal year 2009. The polyester segment's SG&A expenses consist of polyester foreign subsidiaries' costs and allocated domestic costs. The percentage of domestic SG&A costs allocated to each segment is determined at the beginning of every year based on specific budgeted cost drivers.

The polyester segment net sales, gross profit and SG&A expenses as a percentage of total consolidated amounts were 73.4%, 71.4% and 79.2% for fiscal year 2010 compared to 72.8%, 59.4% and 79.2% for fiscal year 2009, respectively.

Nylon Operations

The following table sets forth the segment operating profit components for the nylon segment for fiscal year 2010 and fiscal year 2009. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2010		Fiscal Year 2009		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 164,079	100.0	$ 150,539	100.0	9.0
Cost of sales	143,613	87.5	138,956	92.3	3.4
Restructuring charges	—	—	73	—	—
Selling, general and administrative expenses	9,607	5.9	8,150	5.4	17.9
Segment operating income (loss)	$ 10,859	6.6	$ 3,360	2.3	223.2

Fiscal year 2010 nylon net sales increased by $13.5 million, or 9.0% compared to fiscal year 2009. The Company's nylon segment sales volumes increased by 11.3% while the weighted-average selling price decreased by 2.3%. The improvement in nylon sales volume was primarily due to greater demand for its nylon products in the legwear and apparel markets as compared to the prior year. The reduction in the average selling price was primarily due to shift in the mix of products sold. Nylon segment sales exclusive of intercompany eliminations consist of $160 million from the U.S. manufacturing operations, $4.9 million from the Colombian manufacturing operations, and $1.8 million from the UCA resale operations compared to $148 million, $3.2 million, and nil, respectively in fiscal year 2009.

After being negatively impacted by the economic downturn during fiscal year 2009, the nylon segment sales improved considerably during fiscal year 2010 due to the recovery of apparel retail sales and strength in regional sourcing. The continued emergence of shape-wear, further potential expansion of regional sourcing, and projected growth of the Company's leading domestic hosiery producer are expected to provide growth for the Company in this segment for the remainder of calendar year 2010.

Gross profit for the nylon segment increased by $8.9 million, or 76.7% in fiscal year 2010. The nylon segment experienced an increase in conversion of $8.3 million, or 3.0% on a per unit basis due to the recovery of previously lost margins resulting from significantly higher raw material cost incurred in the prior fiscal year. Manufacturing costs decreased by $0.6 million, or 11.3% on a per unit basis. Variable manufacturing costs increased by $1.9 million, or 5.5% primarily from higher wage and fringe expense of $0.5 million, utilities of $1.1 million, and packaging costs of $0.4 million, however, on a per unit basis decreased 5.1% reflecting a higher capacity utilization rate. Fixed manufacturing costs decreased by $2.5 million, or 23.9% primarily due to lower depreciation expense of $3.2 million offset by higher allocated manufacturing costs of $0.7 million.

SG&A expenses for the nylon segment increased by $1.5 million or 17.9% in fiscal year 2010. The nylon segment's SG&A expenses consist of nylon foreign subsidiary costs and allocated domestic costs. The percentage of domestic SG&A costs allocated to each segment is determined at the beginning of every year based on specific budgeted cost drivers.

The nylon segment net sales, gross profit and SG&A expenses as a percentage of total consolidated amounts were 26.6%, 28.6% and 20.8% for fiscal year 2010 compared to 27.2%, 40.6% and 20.8% for fiscal year 2009, respectively.

Review of Fiscal Year 2009 Results of Operations (52 Weeks) Compared to Fiscal Year 2008 (53 Weeks)

The following table sets forth the loss from continuing operations components for each of the Company's business segments for fiscal year 2009 and fiscal year 2008. The table also sets forth each of the segments' net sales as a percent to total net sales, the net income (loss) components as a percent to total net sales and the percentage increase or decrease of such components over the prior year:

	Fiscal Year 2009		Fiscal Year 2008		
		% to Total		% to Total	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Consolidated					
Net sales					
Polyester	$ 403,124	72.8	$ 530,567	74.4	(24.0)
Nylon	150,539	27.2	182,779	25.6	(17.6)
Total	$ 553,663	100.0	$ 713,346	100.0	(22.4)
		% to Net Sales		% to Net Sales	
Cost of sales					
Polyester	$ 386,201	69.8	$ 494,209	69.3	(21.9)
Nylon	138,956	25.1	168,555	23.6	(17.6)
Total	525,157	94.9	662,764	92.9	(20.8)
Restructuring charges					
Polyester	199	—	3,818	0.6	(94.8)
Nylon	73	—	209	—	(65.1)
Corporate	(181)	—	—	—	—
Total	91	—	4,027	0.6	(97.7)
Write down of long-lived assets					
Polyester	350	—	2,780	0.4	(87.4)
Nylon	—	—	—	—	—
Total	350	—	2,780	0.4	(87.4)
Goodwill impairment					
Polyester	18,580	3.4	—	—	—
Nylon	—	—	—	—	—
Total	18,580	3.4	—	—	—
Selling, general and administrative expenses					
Polyester	30,972	5.6	40,606	5.7	(23.7)
Nylon	8,150	1.5	6,966	1.0	17.0
Total	39,122	7.1	47,572	6.7	(17.8)
Provision for bad debts	2,414	0.4	214	—	1,028.0
Other operating (income) expenses, net	(5,491)	(1.0)	(6,427)	(0.9)	(14.6)
Non-operating (income) expenses, net	18,200	3.3	32,742	4.6	(44.4)
Loss from continuing operations before income taxes	(44,760)	(8.1)	(30,326)	(4.3)	47.6
Provision (benefit) for income taxes	4,301	0.8	(10,949)	(1.5)	(139.3)
Loss from continuing operations	(49,061)	(8.9)	(19,377)	(2.8)	153.2
Income from discontinued operations, net of tax	65	0.1	3,226	0.5	(98.0)
Net loss	$ (48,996)	(8.8)	$ 16,151	(2.3)	203.4

For fiscal year 2009, the Company recognized a $44.8 million loss from continuing operations before income taxes which was a $14.4 million increase in losses over the prior year. The decline in continuing operations was primarily attributable to decreased sales volumes in the polyester and nylon segments as a result of the economic downturn which began in the second quarter of fiscal year 2009. In addition, the Company recorded $18.6 million in goodwill impairment charges in fiscal year 2009.

Consolidated net sales from continuing operations decreased $160 million, or 22.4%, for fiscal year 2009. For the fiscal year 2009, unit sales volumes decreased 22.9% primarily due to the global economic downturn which impacted all textile supply chains and markets as discussed earlier. Compared to prior year, polyester volumes decreased 23.9% and nylon volumes decreased 15.8%. The weighted-average price per pound for the Company's products on a consolidated basis remained flat as compared to the prior fiscal year. Refer to the segment operations under the captions "Polyester Operations" and "Nylon Operations" for a further discussion of each segment's operating results.

At the segment level, polyester dollar net sales accounted for 72.8% of consolidated net sales in fiscal year 2009 compared to 74.4% in fiscal year 2008. Nylon accounted for 27.2% of dollar net sales for fiscal year 2009 compared to 25.6% for the prior fiscal year.

Consolidated gross profit from continuing operations decreased $22.1 million to $28.5 million for fiscal year 2009. This decrease was primarily attributable to lower sales volumes and lower conversion margins for the polyester and nylon segments offset by improved per unit manufacturing costs for both the polyester and nylon segments. The decrease in sales volumes was attributable to the global economic downturn which impacted all textile supply chains and markets. Additionally, sales were impacted by excessive inventories across the supply chain. These excessive inventory levels declined during the year as the effects of the inventory de-stocking began to subside. Conversion margins on a per pound basis decreased 12% and 3% in the polyester and nylon segments, respectively. Manufacturing costs on a per pound basis decreased 2% and 3% for the polyester and nylon segments, respectively as the Company aligned operational costs with lower sales volumes. Refer to the segment operations under the captions "Polyester Operations" and "Nylon Operations" for a further discussion of each segment's operating results.

Severance and Restructuring Charges

On August 22, 2007, the Company announced its plan to re-organize certain corporate staff and manufacturing support functions to further reduce costs. The Company recorded $1.1 million for severance related to this reorganization. Approximately 54 salaried employees were affected by this reorganization. In addition, the Company recorded severance of $2.4 million for its former CEO in the first quarter of fiscal year 2008 and $1.7 million for severance in the second quarter of fiscal year 2008 related to its former CFO during fiscal year 2008.

In fiscal year 2008, the Company recorded $3.4 million for restructuring charges related to contract termination costs and other noncancellable contracts for continued services and $1.3 million in severance costs all related to the closure of its Kinston, North Carolina polyester facility offset by $0.3 million in favorable adjustments related to a lease obligation associated with the closure of its Altamahaw, North Carolina facility.

On May 14, 2008, the Company announced the closure of its polyester facility located in Staunton, Virginia and the transfer of certain production to its facility in Yadkinville, North Carolina. During the first quarter of fiscal year 2009, the Company recorded $0.1 million for severance related to the Staunton consolidation. Approximately 40 salaried and wage employees were affected by this reorganization.

In the third quarter of fiscal year 2009, the Company re-organized and reduced its workforce due to the economic downturn. Approximately 200 salaried and wage employees were affected by this reorganization related to the Company's efforts to reduce costs. As a result, the Company recorded $0.3 million in severance charges related to certain salaried corporate and manufacturing support staff. During the fourth quarter of fiscal year 2009, the Company recorded $0.2 million of restructuring recoveries related to retiree reserves.

Write downs of Long-Lived Assets

During the first quarter of fiscal year 2008, the Company's Brazilian polyester operation continued its modernization plan for its facilities by abandoning four of its older machines and replacing these machines with newer machines that it purchased from the Company's domestic polyester division. As a result, the Company recognized a $0.5 million non-cash impairment charge on the older machines.

During the second quarter of fiscal year 2008, the Company evaluated the carrying value of the remaining machinery and equipment at Dillon. The Company sold several machines to a foreign subsidiary and in addition transferred several other machines to its Yadkinville, North Carolina facility. Six of the remaining machines were leased under an operating lease to a manufacturer in Mexico at a fair market value substantially less than their carrying value. The last five remaining machines were scrapped for spare parts inventory. These eleven machines were written down to fair market value determined by the lease; and as a result, the Company recorded a non-cash impairment charge of $1.6 million in the second quarter of fiscal year 2008. The adjusted net book value was depreciated over a two year period which is consistent with the life of the lease.

In addition, during the second quarter of fiscal year 2008, the Company negotiated with a third party to sell its Kinston, North Carolina polyester facility. Based on appraisals, management concluded that the carrying value of the real estate exceeded its fair value. Accordingly, the Company recorded $0.7 million in non-cash impairment charges. On March 20, 2008, the Company completed the sale of assets located in Kinston. The Company retained the right to sell certain idle polyester assets for a period of two years ending in March 2010. At that time, the assets reverted back to DuPont with no consideration paid to the Company.

During the fourth quarter of fiscal year 2009, the Company determined that a review of the remaining assets held for sale located in Kinston, North Carolina was necessary as a result of sales negotiations. The cash flow projections related to these assets were based on the expected sales proceeds, which were estimated based on the current status of negotiations with a potential buyer. As a result of this review, the Company determined that the carrying value of the assets exceeded the fair value and recorded $0.4 million in non-cash impairment charges related to these assets held for sale.

Goodwill Impairment

The Company's balance sheet at December 28, 2008 reflected $18.6 million of goodwill, all of which related to the acquisition of Dillon in January 2007. The Company previously determined that all of this goodwill should be allocated to the domestic polyester reporting unit. Based on a decline in its market capitalization during the third quarter of fiscal year 2009 and difficult market conditions, the Company determined that it was appropriate to re-evaluate the carrying value of its goodwill during the quarter ended March 29, 2009. In connection with this third quarter interim impairment analysis, the Company updated its cash flow forecasts based upon the latest market intelligence, its discount rate and its market capitalization values. The projected cash flows were based on the Company's forecasts of volume, with consideration of relevant industry and macroeconomic trends. The fair value of the domestic polyester reporting unit was determined based upon a combination of a discounted cash flow analysis and a market approach utilizing market multiples of "guideline" publicly traded companies. As a result of the findings, the Company determined that the goodwill was impaired and recorded an impairment charge of $18.6 million in the third quarter of fiscal year 2009.

Selling, General, and Administrative Expenses

Consolidated SG&A expenses decreased by $8.5 million or 17.8% for fiscal year 2009. The decrease in SG&A for fiscal year 2009 was primarily a result of decreases of $4.1 million in executive severance costs in fiscal year 2008, $1.2 million in deposit write offs in fiscal year 2008, $1.3 million in salaries and fringe benefit costs, $1.3 million related to the Brazilian operation, $0.8 million in depreciation expenses, $0.7 million in insurance expenses, and $0.2 million in equipment leases and maintenance expenses offset by increases of $0.6 million in deferred compensation charges, $0.3 million in amortization of Dillon acquisition costs, and $0.2 million in amortization of Burke Mills Inc. acquisition costs. Included in the above decreases in SG&A was a decrease of $0.9 million primarily due to currency exchange differences related to the translation of the Company's Brazilian operation.

Provision for Bad Debts

For fiscal year 2009, the Company recorded a $2.4 million provision for bad debts. This compares to a provision of $0.2 million recorded in fiscal year 2008. In fiscal year 2008, the Company recorded favorable adjustments to the reserve related to its domestic and Brazilian operations, while in fiscal year 2009, the Company experienced unfavorable adjustments as a result of the recent decline in economic conditions.

Other Operating (Income) Expense, Net

Other operating (income) expense decreased from $6.4 million of income in fiscal year 2008 to $5.5 million of income in fiscal year 2009. The following table shows the components of other operating (income) expense:

	Fiscal Years Ended	
	June 28, 2009	June 29, 2008
	(Amounts in thousands)	
Net gains on sales of PP&E	$ (5,856)	$ (4,003)
Gain from sale of nitrogen credits	—	(1,614)
Currency losses	354	522
Technology fees from China joint venture	—	(1,398)
Other, net	11	66
	$ (5,491)	$ (6,427)

Interest Expense (Interest Income)

Interest expense decreased from $26.1 million in fiscal year 2008 to $23.2 million in fiscal year 2009 due primarily to lower borrowings under the Amended Credit Agreement and lower average outstanding debt related to the Company's 2014 notes. The Company had nil and $3 million of outstanding borrowings under its Amended Credit Agreement as of June 28, 2009 and June 29, 2008, respectively. The weighted average interest rate of Company debt outstanding at June 28, 2009 and June 29, 2008 was 11.4% and 11.3%, respectively. Interest income was $2.9 million in both fiscal years 2009 and 2008.

Equity in (Earnings) Losses of Unconsolidated Affiliates

Equity in net income of its equity affiliates was $3.3 million in fiscal year 2009 compared to equity in net income of $1.4 million in fiscal year 2008. The Company's 50% share of YUFI's net losses decreased from $6.1 million of losses in fiscal year 2008 to nil in fiscal year 2009 due to the Company's sale of its interest in YUFI. The Company's 34% share of PAL's earnings decreased from $8.3 million of income in fiscal year 2008 to $4.7 million of income in fiscal year 2009. Earnings of PAL decreased in fiscal year 2009 compared to fiscal year 2008 primarily due to the effects of the economic crisis on PAL's volumes, decreased favorable litigation settlements recorded in fiscal year 2008 offset by income from cotton rebates in fiscal year 2009 as discussed above. The Company expects to continue to receive cash distributions from PAL.

Write downs of Investment in Unconsolidated Affiliates

During the first quarter of fiscal year 2008, the Company determined that a review of the carrying value of its investment in USTF was necessary as a result of sales negotiations. As a result of this review, the Company determined that the carrying value exceeded its fair value. Accordingly, the Company recorded a non-cash impairment charge of $4.5 million in the first quarter of fiscal year 2008.

In July 2008, the Company announced a proposed agreement to sell its 50% ownership interest in YUFI to its partner, YCFC, for $10 million, pending final negotiation and execution of definitive agreements and the receipt of Chinese regulatory approvals. In connection with a review of the YUFI value during negotiations related to the sale, the Company initiated a review of the carrying value of its investment in YUFI. As a result of this review, the Company determined that the carrying value of its investment in YUFI exceeded its fair value. Accordingly, the Company recorded a non-cash impairment charge of $6.5 million in the fourth quarter of fiscal year 2008.

During the second quarter of fiscal year 2009, the Company and YCFC renegotiated the proposed agreement to sell the Company's interest in YUFI to YCFC from $10 million to $9 million. As a result, the Company recorded an additional impairment charge of $1.5 million, which included $0.5 million related to certain disputed accounts receivable and $1 million related to the fair value of its investment, as determined by the re-negotiated equity interest sales price, was lower than carrying value. During the fourth quarter of fiscal year 2009, the Company completed the sale of YUFI to YCFC.

Income Taxes

Loss from continuing operations before income taxes is as follows:

	Fiscal Years Ended June 28, 2009	Fiscal Years Ended June 29, 2008
	(Amounts in thousands)	
Loss from continuing operations before income taxes:		
United States	$ (54,310)	$ (25,096)
Foreign	9,550	(5,230)
	$ (44,760)	$ (30,326)

The provision for (benefit from) income taxes applicable to continuing operations for fiscal years 2009 and 2008 consists of the following:

	Fiscal Years Ended June 28, 2009	Fiscal Years Ended June 29, 2008
	(Amounts in thousands)	
Current:		
Federal	$ —	$ (5)
State	—	(45)
Foreign	3,927	5,296
	3,927	5,246
Deferred:		
Federal	—	(14,504)
Repatriation of foreign earnings	—	1,866
State	—	(1,635)
Foreign	374	(1,922)
	374	(16,195)
Income tax provision (benefit)	$ 4,301	$ (10,949)

The Company recognized income tax expense (benefit) at an effective tax rate of 9.6% and (36.1)% for fiscal years 2009 and 2008 respectively. A reconciliation of the provision for (benefit from) income taxes with the amounts obtained by applying the federal statutory tax rate is as follows:

	Fiscal Years Ended June 28, 2009	Fiscal Years Ended June 29, 2008
Federal statutory tax rate	(35.0)%	(35.0)%
State income taxes, net of federal tax benefit	(3.9)	(3.1)
Foreign income taxed at lower rates	2.1	17.2
Repatriation of foreign earnings	(3.9)	6.2
North Carolina investment tax credits expiration	2.2	8.0
Change in valuation allowance	45.2	(26.0)
Nondeductible expenses and other	2.9	(3.4)
Effective tax rate	9.6%	(36.1)%

In fiscal year 2008, the Company accrued federal income tax on approximately $5 million of dividends expected to be distributed from a foreign subsidiary in future periods and approximately $0.3 million of dividends distributed from a foreign subsidiary in fiscal year 2008. During the third quarter of fiscal year 2009, management revised its assertion with respect to the repatriation of $5 million of dividends and now intends to permanently reinvest this amount outside of the U.S.

As of June 28, 2009, the Company had $46.7 million in federal net operating loss carryforwards and $41.3 million in state net operating loss carryforwards that may be used to offset future taxable income. The Company also has $5.2 million in North Carolina investment tax credits and $0.6 million of charitable contribution carryforwards, the deferred income tax effects of which are fully offset by valuation allowances. The Company accounts for investment credits using the flow-through method.

These carryforwards, if unused, will expire as follows:

Federal net operating loss carryforwards	2024 through 2029
State net operating loss carryforwards	2011 through 2030
North Carolina investment tax credit carryforwards	2010 through 2015
Charitable contribution carryforwards	2010 through 2014

The Company had a valuation allowance of $40.1 million and $19.8 million for fiscal years 2009 and 2008 respectively. The $20.3 net increase in fiscal year 2009 resulted primarily from an increase in federal net operating loss carryforwards and the impairment of goodwill. For the year ended June 29, 2008, the valuation allowance decreased approximately $12 million primarily as a result of the reduction in federal net operating loss carryforwards and the expiration of state income tax credit carryforwards.

Significant judgment is required in estimating valuation allowances for deferred tax assets. A valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more likely than not that such asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. The Company periodically assesses the need for valuation allowances for deferred tax assets. In its assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and magnitude of current and cumulative income and losses, forecasts of future profitability, the duration of statutory carryback or carryforward periods, the Company's experience with operating loss and tax credit carryforwards being used before expiration, and tax planning alternatives.

The Company's assessment of the need for a valuation allowance on its deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, on business plans and other expectations about future outcomes. Changes in existing tax laws or rates could affect actual tax results and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. Accounting for deferred tax assets represents the Company's best estimate of future events.

Significant components of the Company's deferred tax assets and liabilities as of June 28, 2009 and June 29, 2008 were as follows:

	June 28, 2009	June 29, 2008
	(Amounts in thousands)	
Deferred tax assets:		
Investments in unconsolidated affiliates	$ 18,882	$ 20,267
State tax credits	2,347	3,310
Accrued liabilities and valuation reserves	11,080	12,767
Net operating loss carryforwards	17,663	5,869
Intangible assets	8,809	2,133
Charitable contributions	253	643
Other items	2,392	2,426
Total gross deferred tax assets	61,426	47,415
Valuation allowance	(40,118)	(19,825)
Net deferred tax assets	21,308	27,590
Deferred tax liabilities:		
PP&E	20,114	24,296
Unremitted foreign earnings	—	1,750
Other	387	113
Total deferred tax liabilities	20,501	26,159
Net deferred tax asset	$ 807	$ 1,431

Polyester Operations

The following table sets forth the segment operating loss components for the polyester segment for fiscal year 2009 and fiscal year 2008. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2009		Fiscal Year 2008		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 403,124	100.0	$ 530,567	100.0	(24.0)
Cost of sales	386,201	95.8	494,209	93.1	(21.9)
Restructuring charges	199	0.0	3,818	0.7	(94.8)
Write down of long-lived assets	350	0.1	2,780	0.5	(87.4)
Goodwill impairment	18,580	4.6	—	—	—
Selling, general and administrative expenses	30,972	7.7	40,606	7.7	(23.7)
Segment operating loss	$ (33,178)	(8.2)	$ (10,846)	(2.0)	205.9

In fiscal year 2009, consolidated polyester net sales decreased $127 million, or 24.0% compared to fiscal year 2008. The Company's polyester segment sales volumes decreased approximately 23.9% and the weighted-average selling price decreased approximately 0.2%.

Domestically, polyester net sales decreased $115 million, or 28.7% as compared to fiscal year 2008. Domestic sales volumes decreased 32.1% while average unit prices increased approximately 3.4%. The decline in domestic polyester sales volume related to difficult market conditions in fiscal year 2009 and management's decision to exit unprofitable commodity POY business in Kinston, North Carolina. The increase in domestic weighted-average selling price reflects a shift of the Company's product offerings to PVA products and an incremental sales price increase driven by higher material costs.

Gross profit for the consolidated polyester segment decreased $19.4 million, or 53.4% over fiscal year 2008. On a per unit basis gross profit decreased 40.0%. The impact of the surge in crude oil since the beginning of fiscal year 2008 created a spike in polyester raw material prices. As raw material prices peaked in the first quarter of fiscal year 2009, the Company was initially only able to pass along a portion of these raw material increases to its customers which resulted in lower conversion margins on a per unit basis of 12%. The decline in conversion margin was partially offset by decreases in per unit manufacturing costs of 2% which consisted of decreased per unit variable manufacturing costs of 10% and increased per unit fixed manufacturing costs of 8% caused by lower sales volumes.

Domestic gross profit decreased $21 million, or 91.5% over fiscal year 2008 as a result of lower sales volumes and increased raw material costs. The Company experienced a decline in its domestic polyester conversion margin of $47.2 million, a per unit decrease of 2% over the prior fiscal year. Variable manufacturing costs decreased $22.2 million primarily as a result of lower volumes, utility costs, wage expenses, and other miscellaneous manufacturing costs; however, on a per unit basis variable manufacturing costs increased 12% due to the lower sales volumes. Fixed manufacturing costs also declined $3.9 million as compared to fiscal year 2008 primarily as a result of lower depreciation expense and reduced costs related to asset consolidations while increasing 20% on a per unit basis also due to lower sales volumes.

On a local currency basis, per unit net sales from the Company's Brazilian texturing operation remained flat while raw material costs increased 11%, variable manufacturing costs decreased by 63% and fixed manufacturing costs increased 5%. The increase in raw material prices was the result of the global effect of rising crude oil prices on raw material costs discussed above and fluctuations in foreign currency exchange rates as the Company's Brazilian operation predominately purchases its raw material in U.S. dollars whereas the functional currency is the Brazilian Real. Variable manufacturing costs decreased primarily due to lower volumes, an increase in certain tax incentives, reduced wages and fringe benefits and reduced packaging costs. Fixed manufacturing costs increased on a per unit basis due to lower manufactured sales pounds. Net sales, conversion, and gross profit were further reduced on a U.S. dollar basis due to unfavorable changes in the currency exchange rate. On a per unit basis, net sales, conversion margin and gross profit decreased an additional 12%, 9% and 10%, respectively related to the unfavorable change in the currency exchange rate. The effect of the change in currency on net sales, conversion margin and gross profit on a U.S. dollar basis was $17.5 million, $6 million and $2 million, respectively.

SG&A expenses for the polyester segment decreased $9.6 million for fiscal year 2009 compared to fiscal year 2008. The polyester segment's SG&A expenses consist of polyester foreign subsidiaries costs and allocated domestic costs. The percentage of domestic SG&A costs allocated to each segment is determined at the beginning of every year based on specific budgeted cost drivers which resulted in a lower allocation percentage in fiscal year 2009 as compared to the prior year.

The polyester segment net sales, gross profit and SG&A expenses as a percentage of total consolidated amounts were 72.8%, 59.4% and 79.2% for fiscal year 2009 compared to 74.4%, 71.9% and 85.4% for fiscal year 2008, respectively.

Nylon Operations

The following table sets forth the segment operating profit components for the nylon segment for fiscal year 2009 and fiscal year 2008. The table also sets forth the percent to net sales and the percentage increase or decrease over the prior year:

	Fiscal Year 2009		Fiscal Year 2008		
		% to Net Sales		% to Net Sales	% Inc. (Dec.)
	(Amounts in thousands, except percentages)				
Net sales	$ 150,539	100.0	$ 182,779	100.0	(17.6)
Cost of sales	138,956	92.3	168,555	92.2	(17.6)
Restructuring charges	73	—	209	0.1	(65.1)
Selling, general and administrative expenses	8,150	5.4	6,966	3.8	17.0
Segment operating profit	$ 3,360	2.3	$ 7,049	3.9	(52.3)

Fiscal year 2009 nylon net sales decreased $32.2 million, or 17.6% compared to fiscal year 2008. The Company's nylon segment sales volumes decreased approximately 15.8% while the weighted-average selling price decreased approximately 1.9%. The decline in nylon sales volume was primarily due to the market decline, and the reduction in sales price was due to shift in product mix.

Gross profit for the nylon segment decreased $2.6 million, or 18.6% in fiscal year 2009. The nylon segment experienced a decrease in conversion margins of $12.3 million, or 3% on a per unit basis, offset by a decrease in manufacturing costs of $9.7 million or 3% on a per unit basis, primarily as a result of lower wage and fringe expenses and lower depreciation expense. Variable manufacturing costs increased $4.1 million, or 10.8%, however, on a per unit basis increased 6% due to reduced sales volumes. Fixed manufacturing costs decreased $5.5 million, or 34.5%, and on a per unit basis decreased 23.0% due to lower depreciation expense.

SG&A expenses for the nylon segment increased $1.2 million in fiscal year 2009. The nylon's segment's SG&A expenses consist of nylon foreign subsidiary costs and allocated domestic costs. The percentage of domestic SG&A costs allocated to each segment is determined at the beginning of every year based on specific budgeted cost drivers which resulted in a higher allocation percentage in fiscal year 2009 as compared to fiscal year 2008.

The nylon segment net sales, gross profit and SG&A expenses as a percentage of total consolidated amounts were 27.2%, 40.6% and 20.8% for fiscal year 2009 compared to 25.6%, 28.1% and 14.6% for fiscal year 2008, respectively.

Liquidity and Capital Resources

Liquidity Assessment

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

In addition to its normal operating cash and working capital requirements and service of its indebtedness, the Company will also require cash to fund capital expenditures and enable cost reductions through restructuring projects as follows:

- *Capital Expenditures*. During fiscal year 2010, the Company spent $13.1 million on capital expenditures compared to $15.3 million in the prior year. The Company estimates its fiscal year 2011 capital expenditures will be approximately $22 million which includes $6 to $8 million of capital expenditures focused on sustaining the current productivity levels of its plants and equipment at world class operating levels out into the future. Additionally, in certain years, the Company strategically invests in capital projects in order to increase asset flexibility and product capabilities. As part of the projected capital expenditures, the Company has started investing in capital projects related to the backward supply chain integration for its 100% recycled Repreve® product. The Company expects these projects to be completed by the third quarter of fiscal year 2011. The total investment in these capital projects is expected to be approximately $8 million of which the Company has incurred $1.2 million as of June 27, 2010. This recycling capital project is part of the Company's overall strategy designed to further develop its PVA product flexibility and capabilities to compete in this growing segment. From time to time, the Company may have restricted cash from the sale of certain nonproductive assets reserved for domestic capital expenditures in accordance with its long-term borrowing agreements. As of June 27, 2010, the Company had no restricted cash funds that are required to be used for domestic capital expenditures. The Company may incur additional capital expenditures as it pursues new opportunities to expand its production capabilities or to further streamline its manufacturing processes.

- *Joint Venture Investments*. On April 26, 2010, the Company entered into an agreement to form a new joint venture, Repreve Renewables. This joint venture was established for the purpose of acquiring the assets and the expertise related to the business of cultivating, growing, and selling biomass crops, including feedstock for establishing biomass crops that are intended to be used as a fuel or in the production of fuels or energy in the U.S. and the European Union. The Company received a 40% ownership interest in the joint venture for its contribution of $4 million. In addition, the Company contributed $0.3 million for its share of initial working capital.

  During fiscal year 2010, the Company received $3.3 million in dividend distributions from its joint ventures. Historically the Company has received distributions from certain of its joint ventures every year. Although the operating results of such joint ventures have improved substantially during the 2010 fiscal year, there is no guarantee that it will continue to receive distributions in the future.

  The Company may from time to time increase its interest in its joint ventures, sell its interest in its joint ventures, invest in new joint ventures or transfer idle equipment to its joint ventures.

- *Investment.* In the third quarter of fiscal year 2010, the Company established a wholly-owned subsidiary to provide a base of operations in El Salvador. The total investment in UCA is expected to be approximately $16 million of which $10 million is projected to be intercompany funded working capital and $3.2 million is projected to fund intercompany sales of PP&E. UCA began selling U.S. manufactured products during the third quarter of fiscal year 2010 and expects to be manufacturing to its capacity by the end of December 2010.

As discussed below in "Long-Term Debt", the Company's Amended Credit Agreement contains customary covenants for asset based loans which restrict future borrowings and capital spending. It includes a trailing twelve month fixed charge coverage ratio that restricts the guarantor's ability to use domestic cash to invest in certain assets if the ratio becomes less than 1.0 to 1.0, after giving effect to such investment on a pro forma basis. As of June 27, 2010 the Company had a fixed charge coverage ratio of less than 1.0 to 1.0 and was therefore not permitted to use domestic cash to invest in joint ventures or to acquire the assets or capital stock of another entity.

Cash Provided by Continuing Operations

The following table summarizes the net cash provided by continuing operations for the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008.

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(Amounts in millions)		
Cash provided by continuing operations			
Cash Receipts:			
Receipts from customers	$ 605.1	$ 572.6	$ 708.7
Dividends from unconsolidated affiliates	3.3	3.7	4.5
Other receipts	4.2	2.7	6.5
Cash Payments:			
Payments to suppliers and other operating cost	460.2	432.3	549.4
Payments for salaries, wages, and benefits	99.8	99.9	117.2
Payments for restructuring and severance	2.5	4.0	11.2
Payments for interest	21.0	22.6	25.3
Payments for taxes	8.5	3.2	2.9
Cash provided by continuing operations	$ 20.6	$ 17.0	$ 13.7

Cash received from customers increased from $573 million in fiscal year 2009 to $605 million in fiscal year 2010 primarily due to higher net sales volumes. Payments to suppliers and for other operating costs increased from $432 million in fiscal year 2009 to $460 million in fiscal year 2010 primarily as a result of higher volumes partially offset by lower raw material costs. Salary, wage and benefit payments remained flat from $99.9 million in fiscal year 2009 to $99.8 million in fiscal year 2010 as a result of decreased salaries and wages offset by increased fringe benefits. Interest payments decreased from $22.6 million in fiscal year 2009 to $21 million in fiscal year 2010 primarily due to the reduction of outstanding 2014 bonds and lower revolver fees. Restructuring and severance payments were $2.5 million for fiscal year 2010 compared to $4 million for fiscal year 2009. Taxes paid by the Company increased from $3.2 million to $8.5 million as a result of an increase in tax liabilities related to the Company's Brazilian subsidiary. The Company received cash dividends of $3.3 million and $3.7 million from PAL in fiscal years 2010 and 2009, respectively. Other receipts increased from $2.7 million in fiscal year 2009 to $4.2 million in fiscal year 2010 due to the sale of $1.4 million of nitrogen credits during fiscal year 2010. Other receipts include miscellaneous income items and interest income.

Cash received from customers decreased from $709 million in fiscal year 2008 to $573 million in fiscal year 2009 due to lower net sales related to the economic downturn which began in the second quarter of fiscal year 2009. Payments to suppliers and for other operating costs decreased from $549 million in 2008 to $432 million in fiscal year 2009 primarily as a result of the reduction in production as the Company focused on reducing its inventories to conform to lower consumer demand. Salary, wage and benefit payments decreased from $117 million to $99.9 million, also as a result of reduced production and asset consolidation efficiencies. Interest payments decreased from $25.3 million in fiscal year 2008 to $22.6 million in fiscal year 2009 primarily due to the reduction of outstanding 2014 bonds discussed below. Restructuring and severance payments were $4 million for fiscal 2009 compared to $11.2 million for fiscal year 2008 as a result of the completion of many of the Company's reorganization strategies. Taxes paid by the Company increased from $2.9 million to $3.2 million as a result of an increase in tax liabilities related to the Company's Brazilian subsidiary. The Company received cash dividends of $3.7 million and $4.5 million from PAL in fiscal years 2009 and 2008, respectively. Other receipts declined from $6.5 million in fiscal year 2008 to $2.7 million in fiscal year 2009 due to the sale of nitrogen credits in fiscal year 2008. Other receipts include miscellaneous income items and interest income.

Working capital decreased from $176 million at June 28, 2009 to $175 million at June 27, 2010 due to increases in accounts payable of $14.6 million, increases in current maturities of notes payable, long-term debt and other liabilities of $8.5 million, increases in accrued expenses of $6.4 million, decreases in restricted cash of $6.5 million, and decreases in assets held for sale of $1.3 million, offset by increases in inventories of $21.3 million, increases in accounts receivables of $13.4 million, increases in other current assets of $0.7 million, increases in deferred income tax of $0.4 million, and decreases in income tax payable of $0.2 million.

Cash Used in (Provided by) Investing Activities and Financing Activities

The Company utilized $8.9 million for net investing activities and utilized $13.3 million in net financing activities during fiscal year 2010. The primary cash expenditures during fiscal year 2010 included $13.1 million for capital expenditures, $7.9

million net for payments of debt, $4.8 million of investments in unconsolidated affiliates, $5 million for the purchase and retirement of Company stock, $0.4 million for other financing activities, and $0.2 million of other investing activities, offset by transfers of $7.5 million in restricted cash and $1.7 million of proceeds from the sale of capital assets.

The Company generated cash flows of $25.3 million from net investing activities and utilized $16.8 million in net financing activities during fiscal year 2009. The primary cash expenditures during fiscal year 2009 included $20.3 million net for payments of debt, $15.3 million for capital expenditures, $0.5 million of acquisitions, $0.3 million for other financing activities, and $0.2 million of split dollar life insurance premiums, offset by transfers of $25.3 million in restricted cash, $9 million from proceeds from the sale of equity affiliate, $7 million from the proceeds from the sale of capital assets, and $3.8 million from exercise of stock options. Related to the sales of capital assets, the Company sold one property totaling 380,000 square feet at an average selling price of $18.45 per square foot.

The Company utilized $1.6 million for net investing activities and utilized $35 million in net financing activities during fiscal year 2008. The primary cash expenditures during fiscal year 2008 included $34.3 million net for payments of the credit line revolver, $14.2 million for restricted cash, $12.8 million for capital expenditures, $1.1 million of acquisitions, $1.1 million for other financing activities, $0.2 million of split dollar life insurance premiums and $0.1 million of other investing activities offset by $17.8 million from the proceeds from the sale of capital assets, $8.7 million from proceeds from the sale of equity affiliate, $0.4 million from exercise of stock options, and $0.3 million from collection of notes receivable. Related to the sales of capital assets, the Company sold several properties totaling 2.7 million square feet with an average selling price of $9.81 per square foot adjusted down for partial sales and nonproductive assets.

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

Note Repurchases. The Company may, from time to time, seek to retire or purchase its outstanding, debt in open market purchases, in privately negotiated transactions or by calling a portion of the notes under the terms of the Indenture. Such retirement or purchase of debt may come from the operating cash flows of the business or other sources and will depend upon prevailing market conditions, liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material.

Contingencies

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

Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Berry Amendment Contingencies. The Company is aware of certain claims and potential claims against it for the alleged use of non-compliant "Berry Amendment" nylon POY in yarns that the Company sold which may have ultimately been used to manufacture certain U.S. military garments (the "Military Claims"). As of June 27, 2010 the Company recorded an accrual for the Military Claims of which one was settled on or about July 19, 2010 in the amount of $0.2 million.

Long-Term Debt

On May 26, 2006, the Company issued $190 million of 11.5% 2014 notes due May 15, 2014. In connection with the issuance, the Company incurred $7.3 million in professional fees and other expenses which are being amortized to expense over the life of the 2014 notes. Interest is payable on the 2014 notes on May 15 and November 15 of each year. The 2014 notes are unconditionally guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries. The 2014 notes and guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Company's and the Company's subsidiary guarantors' assets other than the assets securing the Company's obligations under its Amended Credit Agreement as discussed below. The assets include but are not limited to, property, plant and equipment, domestic capital stock and some foreign capital stock. Domestic capital stock includes the capital stock of the Company's domestic subsidiaries and certain of its joint ventures. Foreign capital stock includes up to 65% of the voting stock of the Company's first-tier foreign subsidiaries, whether now owned or hereafter acquired, except for certain excluded assets. The 2014 notes and guarantees are secured by second-priority liens, subject to permitted liens, on the Company and its subsidiary guarantors' assets that will secure the 2014 notes and guarantees on a first-priority basis. The estimated fair value of the 2014 notes, based on quoted market prices, at June 27, 2010 was approximately $184 million.

In accordance with the 2014 notes collateral documents and the indenture, the proceeds from the sale of PP&E (First Priority Collateral) will be deposited into the First Priority Collateral Account whereby the Company may use the restricted funds to purchase additional qualifying assets. From May 26, 2006 through June 27, 2010, the Company sold PP&E secured by first-priority liens in an aggregate amount of $26.1 million and purchased qualifying assets in the same amount, leaving no funds remaining in the First Priority Collateral Account.

After May 15, 2010, the Company can elect to redeem some or all of the 2014 notes at redemption prices equal to or in excess of par depending on the year the optional redemption occurs. As of June 27, 2010, no such optional redemptions had occurred. However, on May 25, 2010, the Company announced that it was calling for the redemption of $15 million of the 2014 notes at a redemption price of 105.75% of the principal amount of the redeemed notes. This redemption was subsequently completed on June 30, 2010 and was financed through a combination of internally generated cash and borrowings under the Company's senior secured asset-based revolving credit facility discussed below. As a result, the Company will record a $1.1 million charge for the early extinguishment of debt in the September 2010 quarter.

The Company may also purchase its 2014 notes in open market purchases or in privately negotiated transactions and then retire them. Such purchases of the 2014 notes will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. On September 15, 2009, the Company repurchased and retired notes having a face value of $0.5 million in open market purchases. The gain on this repurchase offset by the write-off of the respective unamortized issuance cost of the 2014 notes resulted in a net gain of $54 thousand.

On September 9, 2010, the Company and the Subsidiary Guarantors (as co-borrowers) entered into the First Amended Credit Agreement with Bank of America, N.A. (as both Administrative Agent and Lender thereunder). The First Amended Credit Agreement provides for a revolving credit facility in an amount of $100 million (with the ability of the Company to request that the borrowing capacity be increased up to $150 million) and matures on September 9, 2015, provided that unless the 2014 notes have been prepaid, redeemed, defeased or otherwise repaid in full on or before February 15, 2014, the maturity date will be adjusted to February 15, 2014. The First Amended Credit Agreement amends the Amended Credit Agreement which had a stated maturity date of May 15, 2011. See Footnote 3. Long-term Debt and Other Liabilities included in the Company's Annual Report on Form 10-K for fiscal year ended June 27, 2010 for a discussion of terms and covenants of the Amended Credit Agreement. As of June 27, 2010, under the terms of the Amended Credit Agreement, the Company had no outstanding borrowings and borrowing availability of $73.9 million.

The First Amended Credit Agreement is secured by first-priority liens on the Company's and its subsidiary guarantors' inventory, accounts receivable, general intangibles (other than uncertificated capital stock of subsidiaries and other persons), investment property (other than capital stock of subsidiaries and other persons), chattel paper, documents, instruments, supporting obligations, letter of credit rights, deposit accounts and other related personal property and all proceeds relating to any of the above, and by second-priority liens, subject to permitted liens, on the Company's and its subsidiary guarantors' assets securing the 2014 notes and guarantees on a first-priority basis, in each case other than certain excluded assets. The Company's ability to borrow under the First Amended Credit Agreement is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to other conditions and limitations.

Borrowings under the First Amended Credit Agreement bear interest at rates of LIBOR plus 2.00% to 2.75% and/or prime plus 0.75% to 1.50%. The interest rate matrix is based on the Company's excess availability under the First Amended Credit Agreement. The unused line fee under the First Amended Credit Agreement is 0.375% to 0.50% of the unused line amount. In connection with the First Amended Credit Agreement, the Company estimates that there will be fees and expenses totaling approximately $0.8 million, which will be added to the $0.2 million of remaining debt origination costs from the Amended Credit Agreement and amortized over the term of the facility.

The First Amended Credit Agreement contains customary affirmative and negative covenants for asset-based loans that restrict future borrowings and certain transactions. Such covenants include restrictions and limitations on (i) sales of assets, consolidation, merger, dissolution and the issuance of the Company's capital stock, any subsidiary guarantor and any domestic subsidiary thereof, (ii) permitted encumbrances on the Company's property, any subsidiary guarantor and any domestic subsidiary thereof, (iii) the incurrence of indebtedness by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (iv) the making of loans or investments by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (v) the declaration of dividends and redemptions by the Company or any subsidiary guarantor and (vi) transactions with affiliates by the Company or any subsidiary guarantor. The covenants under the First Amended Credit Agreement are, however, generally less restrictive than the Amended and Restated Credit Agreement as the Company is no longer required to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 to make certain distributions and investments so long as pro forma excess availability is at least 27.5% of the total credit facility. These distributions and investments include (i) the payment or making of any dividend, (ii) the redemption or other acquisition of any of the Company's capital stock, (iii) cash investments in joint ventures, (iv) acquisition of the property and assets or capital stock or a business unit of another entity and (v) loans or other investments to a non-borrower subsidiary. The First Amended Credit Agreement does require the Company to maintain a trailing twelve month fixed charge coverage ratio of at least 1.0 to 1.0 should borrowing availability decrease below 15% of the total credit facility. There are no capital expenditure limitations under the First Amended Credit Agreement.

On May 20, 1997, the Company entered into a sale leaseback agreement with a financial institution whereby land, buildings and associated real and personal property improvements of certain manufacturing facilities were sold to the financial institution and will be leased by the Company over a sixteen-year period. This transaction has been recorded as a direct financing arrangement. During fiscal year 2008, management determined that it was not likely that the Company would purchase back the property at the end of the lease term even though the Company retains the right to purchase the property under the agreement on any semi-annual payment date in the amount pursuant to a prescribed formula as defined in the agreement. As of June 27, 2010 and June 28, 2009, the balance of the capital lease obligation was $0.7 million and $1 million and the net book value of the related assets was $1.6 million and $2.2 million, respectively. Payments for the remaining balance of the sale leaseback agreement are due annually and are in varying amounts, in accordance with the agreement. Average annual principal payments over the next two years are $0.3 million. The interest rate implicit in the agreement is 7.84%.

Unifi do Brazil, received loans from the government of the State of Minas Gerais to finance 70% of the value added taxes due by Unifi do Brazil to the State of Minas Gerais. These twenty-four month loans were granted as part of a tax incentive program for producers in the State of Minas Gerais. The loans had a 2.5% origination fee and an effective interest rate equal to 50% of the Brazilian inflation rate. The loans were collateralized by a performance bond letter issued by a Brazilian bank, which secured the performance by Unifi do Brazil of its obligations under the loans. In return for this performance bond letter, Unifi do Brazil made certain restricted cash deposits with the Brazilian bank in amounts equal to 100% of the loan amounts. The deposits made by Unifi do Brazil earned interest at a rate equal to approximately 100% of the Brazilian prime interest rate. The ability to make new borrowings under the tax incentive program ended in May 2008.

The following table summarizes the maturities of the Company's long-term debt and other noncurrent liabilities on a fiscal year basis:

Aggregate Maturities (Amounts in thousands)						
Balance at June 27, 2010	2011	2012	2013	2014	2015	Thereafter
$181,580	$15,327	$487	$125	$163,815	$60	$1,766

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

Contractual Obligations

The Company's significant long-term obligations as of June 27, 2010 are as follows:

	Cash Payments Due by Period (Amounts in thousands)				
Description of Commitment	Total	Less Than 1 year	1-3 years	3-5 years	More than 5 years
2014 notes	$ 178,722	$ 15,000	$ —	$ 163,722	$ —
Capital lease obligation	669	327	342	—	—
Other long-term obligations (1)	2,189	—	270	153	1,766
Subtotal	181,580	15,327	612	163,875	1,766
Letters of credit	4,885	4,885	—	—	—
Interest on long-term debt and other obligations	73,352	19,206	37,671	16,475	—
Operating leases	8,822	1,817	2,821	2,363	1,821
Purchase obligations (2)	3,842	3,126	633	83	—
	$ 272,481	$ 44,361	$ 41,737	$ 182,796	$ 3,587

(1) Other long-term obligations include other noncurrent liabilities.

(2) Purchase obligations consist of a Dillon acquisition related sales and service agreement and utility agreements.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168 "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles", a replacement of SFAS 162, "The Hierarchy of Generally Accepted Accounting Principles". The statement was effective for all financial statements issued for interim and annual periods ending after September 15, 2009. On June 30, 2009, the FASB issued its first Accounting Standard Update ("ASU") No. 2009-01 "Topic 105 — Generally Accepted Accounting Principles amendments based on No. 168 the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". Accounting Standards Codification ("ASC") 105-10 establishes a single source of GAAP which is to be applied by nongovernmental entities. All guidance contained in the ASC carries an equal level of authority; however there are standards that will remain authoritative until such time that each is integrated into the ASC. The Securities and Exchange Commission ("SEC") also issues rules and interpretive releases that are also sources of authoritative GAAP for publicly traded registrants. The ASC superseded all existing non-SEC accounting and reporting standards.

Effective June 29, 2009, the Company adopted ASC 805-20, "Business Combinations — Identifiable Assets, Liabilities and Any Non-Controlling Interest" ("ASC 805-20"). ASC 805-20 amends and clarifies ASC 805 which requires that the acquisition method of accounting, instead of the purchase method, be applied to all business combinations and that an "acquirer" is identified in the process. The guidance requires that fair market value be used to recognize assets and assumed liabilities instead of the cost allocation method where the costs of an acquisition are allocated to individual assets based on their estimated fair values. Goodwill would be calculated as the excess purchase price over the fair value of the assets acquired; however, negative goodwill will be recognized immediately as a gain instead of being allocated to individual assets acquired.

Costs of the acquisition will be recognized separately from the business combination. The end result is that the statement improves the comparability, relevance and completeness of assets acquired and liabilities assumed in a business combination. The adoption of this guidance had no effect on the Company's consolidated financial statements.

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

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

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

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

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This ASU provides amendments to Topic 820 which requires new disclosures related to assets measured at fair value. In addition, this ASU includes amendments to the guidance on employers' disclosures related to the classification of postretirement benefit plan assets and the related fair value measurement of those classifications. This update was effective December 15, 2009. The adoption of ASU No. 2010-06 did not have an impact on the Company's consolidated financial position or results of operations.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events (Topic 855): Amendments to certain Recognition and Disclosure Requirements". An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between the ASC and the SEC's requirements. In addition the scope of the "reissuance" disclosure requirements is refined to include revised financial statements only. This update was effective February 24, 2010. The adoption of ASU No. 2010-09 did not have an impact on the Company's consolidated financial position or results of operations.

Off Balance Sheet Arrangements

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

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimate from quarter to quarter could materially impact the presentation of the financial statements. The following discussion provides further information about accounting policies critical to the Company and should be read in conjunction with "Footnote 1-Significant Accounting Policies and Financial Statement Information" of its audited historical consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Allowance for Doubtful Accounts. An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims. The collectability of accounts receivable is based on a combination of factors including the aging of accounts receivable, historical write off experience, present economic conditions such as customer bankruptcy filings within the industry and the financial health of specific customers and market sectors. Since losses depend to a large degree on future economic conditions, and the health of the textile industry, a significant level of judgment is required to arrive at the allowance for doubtful accounts. Accounts are written off when they are no longer deemed to be collectible. The reserve for bad debts is established based on certain percentages applied to accounts receivable aged for certain periods of time and are supplemented by specific reserves for certain customer accounts where collection is no longer certain. The Company's exposure to losses as of June 27, 2010 on accounts receivable was $94.8 million against which an allowance for losses and claims of $3.5 million was provided. The Company's exposure to losses as of June 28, 2009 on accounts receivable was $81.6 million against which an allowance for losses and claims of $4.8 million was provided. Establishing reserves for yarn claims and bad debts requires management judgment and estimates, which may impact the ending accounts receivable valuation, gross margins (for yarn claims) and the provision for bad debts. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates and assumptions it uses to assess allowance for losses. Certain unforeseen events, which the Company considers to be remote, such as a customer bankruptcy filing, could have a material impact on the Company's results of operations. The Company has not made any material changes to the methodology used in establishing its accounts receivable loss reserves during the past three fiscal years. A plus or minus 10% change in its aged accounts receivable reserve percentages would not be material to the Company's financial statements for the past three years.

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

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

Company’s accounting estimates may change from period to period. These factors could cause the Company to conclude that a potential impairment exists and the related impairment tests could result in a write down of the long-lived assets. To the extent the forecasted operating results of the long-lived assets are achieved and the Company maintains its assets in good condition, the Company believes that it is unlikely that future assessments of recoverability would result in impairment charges that are material to the Company’s financial condition and results of operations. The Company has not made any material changes to the methodology used to perform impairment testing during the past three fiscal years. A 10% decline in the Company’s forecasted cash flows would not have resulted in a failure of the undiscounted cash flow test.

For assets held for sale, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required to determine the fair value, the disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. Actual cash flows received or paid could differ from those used in estimating the impairment loss, which would impact the impairment charge ultimately recognized and the Company’s cash flows. The Company engages independent appraisers in the determination of the fair value of any significant assets held for sale. The Company’s estimates have been materially accurate in the past, and accordingly, at this time, management expects to continue to utilize the present estimation processes. In fiscal years 2010, 2009, and 2008, the Company performed impairment testing which resulted in the write down of polyester PP&E of $0.1 million, $0.4 million, and $2.8 million, respectively.

Impairment of Joint Venture Investments. The Company evaluates the ability of its investments in unconsolidated affiliates to sustain sufficient earnings to justify its carrying value and any reductions below carrying value that are not temporary are assessed for impairment purposes. The Company evaluates its equity investments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the fiscal year ended June 27, 2010, the Company determined there were no “other-than-temporary” impairments related to the carrying value of its investments.

Accruals for Costs Related to Severance of Employees and Related Health Care Costs. From time to time, the Company establishes accruals associated with employee severance or other cost reduction initiatives. Such accruals require that estimates be made about the future payout of various costs, including, for example, health care claims. The Company uses historical claims data and other available information about expected future health care costs to estimate its projected liability. Such costs are subject to change due to a number of factors, including the incidence rate for health care claims, prevailing health care costs and the nature of the claims submitted, among others. Consequently, actual expenses could differ from those expected at the time the provision was estimated, which may impact the valuation of accrued liabilities and results of operations. The Company’s estimates have been materially accurate in the past; and accordingly, at this time management expects to continue to utilize the present estimation processes. A plus or minus 10% change in its estimated claims assumption would not be material to the Company’s financial statements. The Company has not made any material changes to the methodology used in establishing its severance and related health care cost accruals during the past three fiscal years.

Management and the Company’s audit committee discussed the development, selection and disclosure of all of the critical accounting estimates described above.

Exhibit 99.4

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Unifi, Inc.

We have audited the accompanying consolidated balance sheets of Unifi, Inc. as of June 27, 2010 and June 28, 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 27, 2010. Our audits also include the financial statement schedule in the Index at Item 15(a) in the Company's Annual Report on Form 10-K for the year ended June 27, 2010. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 27, 2010 and June 28, 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 27, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Unifi, Inc.'s internal control over financial reporting as of June 27, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 10, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Greensboro, North Carolina
September 10, 2010
except for note 16A, as to which the date is
January 7, 2011

CONSOLIDATED BALANCE SHEETS

	June 27, 2010	June 28, 2009
	(Amounts in thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,691	$ 42,659
Receivables, net	91,243	77,810
Inventories	111,007	89,665
Deferred income taxes	1,623	1,223
Assets held for sale	—	1,350
Restricted cash	—	6,477
Other current assets	6,119	5,464
Total current assets	252,683	224,648
Property, plant and equipment:		
Land	3,574	3,489
Buildings and improvements	153,294	147,395
Machinery and equipment	553,256	542,205
Other	37,733	51,164
	747,857	744,253
Less accumulated depreciation	(596,358)	(583,610)
	151,499	160,643
Restricted cash	—	453
Intangible assets, net	14,135	17,603
Investments in unconsolidated affiliates	73,543	60,051
Other noncurrent assets	12,605	13,534
	$ 504,465	$ 476,932
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 40,662	$ 26,050
Accrued expenses	21,725	15,269
Income taxes payable	505	676
Current portion of notes payable	15,000	—
Current maturities of long-term debt and other liabilities	327	6,845
Total current liabilities	78,219	48,840
Notes payable, less current portion	163,722	179,222
Long-term debt and other liabilities	2,531	3,485
Deferred income taxes	97	416
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.10 par (500,000 shares authorized, 20,057 and 20,685 shares outstanding) (1)	2,006	2,069
Capital in excess of par value (1)	31,579	34,387
Retained earnings	216,183	205,498
Accumulated other comprehensive income	10,128	3,015
	259,896	244,969
	$ 504,465	$ 476,932

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

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

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(Amounts in thousands, except per share data)		
Summary of Operations:			
Net sales	$ 616,753	$ 553,663	$ 713,346
Cost of sales	545,253	525,157	662,764
Restructuring charges	739	91	4,027
Write down of long-lived assets	100	350	2,780
Goodwill impairment	—	18,580	—
Selling, general and administrative expenses	46,183	39,122	47,572
Provision for bad debts	123	2,414	214
Other operating (income) expense, net	(1,033)	(5,491)	(6,427)
Non-operating (income) expense:			
Interest income	(3,125)	(2,933)	(2,910)
Interest expense	21,889	23,152	26,056
Gain on extinguishment of debt	(54)	(251)	—
Equity in earnings of unconsolidated affiliates	(11,693)	(3,251)	(1,402)
Write down of investment in unconsolidated affiliates	—	1,483	10,998
Income (loss) from continuing operations before income taxes	18,371	(44,760)	(30,326)
Provision (benefit) for income taxes	7,686	4,301	(10,949)
Income (loss) from continuing operations	10,685	(49,061)	(19,377)
Income from discontinued operations, net of tax	—	65	3,226
Net income (loss)	$ 10,685	$ (48,996)	$ (16,151)
Income (loss) per common share — basic: (1)			
Income (loss) from continuing operations	$ .53	$ (2.38)	$ (.96)
Income from discontinued operations, net of tax	—	—	.16
Net income (loss) per common share	$ .53	$ (2.38)	$ (.80)
Income (loss) per common share — diluted:(1)			
Income (loss) from continuing operations	$ .52	$ (2.38)	$ (.96)
Income from discontinued operations, net of tax	—	—	.16
Net income (loss) per common share	$ .52	$ (2.38)	$ (.80)

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands)

	Shares Outstanding	Common Stock	Capital in Excess of Par Value(1)	Retained Earnings	Other Comprehensive Income (Loss)	Total Shareholders' Equity	Comprehensive Income (Loss) Note 1
Balance June 24, 2007	20,180	$ 2,018	$ 27,759	$ 270,800	$ 4,377	$ 304,954	$ (106,137)
Adoption of FIN 48	—	—	—	(155)	—	(155)	
Options exercised	49	5	406	—	—	411	
Stock registration costs	—	—	(3)	—	—	(3)	
Stock option expense	—	—	1,015	—	—	1,015	
Currency translation adjustments	—	—	—	—	15,598	15,598	$ 15,598
Net loss	—	—	—	(16,151)	—	(16,151)	(16,151)
Balance June 29, 2008	20,229	$ 2,023	$ 29,177	$ 254,494	$ 19,975	$ 305,669	$ (553)
Options exercised	456	46	3,785	—	—	3,831	
Stock option expense	—	—	1,425	—	—	1,425	
Currency translation adjustments	—	—	—	—	(16,960)	(16,960)	$ (16,960)
Net loss	—	—	—	(48,996)	—	(48,996)	(48,996)
Balance June 28, 2009	20,685	$ 2,069	$ 34,387	$ 205,498	$ 3,015	$ 244,969	$ (65,956)
Purchase of stock	(628)	(63)	(4,932)	—	—	(4,995)	
Stock option expense	—	—	2,124	—	—	2,124	
Currency translation adjustments	—	—	—	—	7,113	7,113	$ 7,113
Net income	—	—	—	10,685	—	10,685	10,685
Balance June 27, 2010	20,057	$ 2,006	$ 31,579	$ 216,183	$ 10,128	$ 259,896	$ 17,798

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended June 27, 2010	June 28, 2009	June 29, 2008
	(Amounts in thousands)		
Cash and cash equivalents at beginning of year	$ 42,659	$ 20,248	$ 40,031
Operating activities:			
Net income (loss)	10,685	(48,996)	(16,151)
Adjustments to reconcile net income (loss) to net cash provided by continuing operating activities:			
Income from discontinued operations	—	(65)	(3,226)
Net (earnings) loss of unconsolidated affiliates, net of distributions	(8,428)	437	3,060
Depreciation	22,843	28,043	36,931
Amortization	4,573	4,430	4,643
Stock-based compensation expense	2,124	1,425	1,015
Deferred compensation expense, net	431	165	—
Net (gain) loss on asset sales	680	(5,856)	(4,003)
Non-cash portion of gain on extinguishment of debt	(54)	(251)	—
Non-cash portion of restructuring charges	(32)	91	4,027
Non-cash write down of long-lived assets	100	350	2,780
Non-cash effect of goodwill impairment	—	18,580	—
Non-cash write down of investment in unconsolidated affiliates	—	1,483	10,998
Deferred income tax	(652)	360	(15,066)
Provision for bad debts	123	2,414	214
Other	258	400	(8)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables	(11,752)	18,781	(5,163)
Inventories	(19,221)	27,681	14,144
Other current assets	(427)	(5,329)	1,641
Accounts payable and accrued expenses	19,523	(27,283)	(22,525)
Income taxes payable	(193)	100	362
Net cash provided by continuing operating activities	20,581	16,960	13,673
Investing activities:			
Capital expenditures	(13,112)	(15,259)	(12,809)
Acquisitions and investments in unconsolidated affiliates	(4,800)	(500)	(1,063)
Proceeds from sale of unconsolidated affiliate	—	9,000	8,750
Collection of notes receivable	—	1	250
Proceeds from sale of capital assets	1,717	7,005	17,821
Change in restricted cash	7,508	25,277	(14,209)
Other	(238)	(219)	(301)
Net cash (used in) provided by investing activities	(8,925)	25,305	(1,561)
Financing activities:			
Payments of notes payable	(435)	(10,253)	—
Payments of long-term debt	(7,508)	(87,092)	(181,273)
Borrowings of long-term debt	—	77,060	147,000
Purchase and retirement of Company stock	(4,995)	—	—
Proceeds from stock option exercises	—	3,831	411
Other	(368)	(305)	(1,144)
Net cash used in financing activities	(13,306)	(16,759)	(35,006)
Cash flows of discontinued operations:			
Operating cash flow	—	(341)	(586)
Net cash used in discontinued operations	—	(341)	(586)
Effect of exchange rate changes on cash and cash equivalents	1,682	(2,754)	3,697
Net increase (decrease) in cash and cash equivalents	32	22,411	(19,783)
Cash and cash equivalents at end of year	$ 42,691	$ 42,659	$ 20,248

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

Supplemental cash flow information is summarized below:

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(Amounts in thousands)	
Cash payment for:			
Interest	$21,028	$22,639	$25,285
Income taxes, net of refunds	8,550	3,164	2,898

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies and Financial Statement Information

Principles of Consolidation. The consolidated financial statements include the accounts of the parent, Unifi Inc. and all majority-owned subsidiaries (the "Company"). All significant account balances and transactions between the Company and its majority-owned subsidiaries have been eliminated. Investments in companies and partnerships where the Company is able to exercise significant influence, but not control, are accounted for by the equity method. The Company's share of profits or losses from sales by an equity investee to the Company, upstream sales, is eliminated on the equity in (earnings) losses of unconsolidated affiliates line included in the Consolidated Statements of Operations and on the investments in unconsolidated affiliates line in the Consolidated Balance Sheets until realized by the Company. Conversely, the Company's share of downstream sales is eliminated in the cost of goods sold line on the Consolidated Statements of Operations and the inventories line of the Consolidated Balance Sheets until realized by the equity investee. Other intercompany income or expense items are matched to the offsetting expense or income at the Company's percentage ownership on the equity in (earnings) losses of unconsolidated affiliates line on the Consolidated Statements of Operations. Investments where the Company is not able to exercise significant influence are accounted for using the cost method of accounting.

Fiscal Year. The Company's fiscal year is the 52 (13-13-13-13 week basis) or 53 (13-13-13-14 week basis) weeks ending on the last Sunday in June. Fiscal year 2008 was comprised of 53 weeks. Fiscal years 2010 and 2009 were comprised of 52 weeks.

Reclassification. The Company has reclassified the presentation of certain prior year information to conform to the current year presentation.

Revenue Recognition. Generally revenues from sales are recognized at the time shipments are made which is when the significant risks and rewards of ownership are transferred to the customer, and include amounts billed to customers for shipping and handling. Costs associated with shipping and handling are included in cost of sales in the Consolidated Statements of Operations. Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts and sales returns. The Company records allowances for customer claims based upon its estimate of known claims and its past experience for unknown claims.

Foreign Currency Translation. Assets and liabilities of foreign subsidiaries are translated at year-end rates of exchange and revenues and expenses are translated at the average rates of exchange for the year. Gains and losses resulting from translation are accumulated in a separate component of shareholders' equity and included in comprehensive income (loss). Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included in the other operating (income) expense, net line on the Consolidated Statements of Operations.

Cash and Cash Equivalents. Cash equivalents are defined as short-term investments having an original maturity of three months or less. The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents approximate fair value.

Restricted Cash. Cash deposits held for a specific purpose or held as security for contractual obligations are classified as restricted cash.

Concentration of Credit Risk. Financial instruments which potentially subject the Company to credit risk consist primarily of cash deposits in bank accounts in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit of $250 thousand per depositor per bank. As of January 1, 2010, the Company's primary domestic financial institution opted to no longer participate in the FDIC Transaction Account Guarantee Program, which provided unlimited coverage on all non-interest bearing bank accounts. For the years ended June 27, 2010 and June 28, 2009, the Company's domestic deposits in excess of federally insured limits were $13.6 million and nil, respectively. In addition, the Brazilian government insures cash deposits up to R$60 thousand per depositor. For the years ended June 27, 2010 and June 28, 2009, the Company's uninsured Brazilian deposits were $24.2 million and $18.2 million, respectively.

Receivables. The Company extends unsecured credit to certain customers as part of its normal business practices. An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. General reserves are established based on percentages applied to accounts receivable aged for certain periods of time and are supplemented by specific reserves for certain customer accounts where collection becomes uncertain. Reserves for yarn quality claims are based on historical experience and known pending claims. The Company's ability to collect its accounts receivable is based on a combination of factors including the aging of accounts receivable, collection experience and the financial condition of specific customers. Accounts are written off against the reserve when they are no longer deemed to be collectible. Establishing reserves for yarn claims and bad debts requires management judgment and estimates, which may impact the ending accounts receivable valuation, gross margins (for yarn claims) and the provision for bad debts. The reserve for such losses was $3.5 million at June 27, 2010 and $4.8 million at June 28, 2009.

Inventories. The Company utilizes the first-in, first-out ("FIFO") or average cost method for valuing inventory. Inventories are valued at lower of cost or market including a provision for slow moving and obsolete items. General reserves are established based on percentage markdowns applied to inventories aged for certain time periods based on the expected net realizable value of an item. Specific reserves are established based on a determination of the obsolescence of the inventory and whether the inventory value exceeds amounts to be recovered through expected sales prices, less selling costs. Estimating sales prices, establishing markdown percentages and evaluating the condition of the inventories require judgments and estimates, which may impact the ending inventory valuation and gross margins. The total inventory reserves on the Company's books at June 27, 2010 and June 28, 2009 were $3 million and $3.7 million, respectively. The following table reflects the composition of the Company's inventory as of June 27, 2010 and June 28, 2009:

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Raw materials and supplies	$ 51,255	$ 42,351
Work in process	6,726	5,936
Finished goods	53,026	41,378
	$ 111,007	$ 89,665

Other Current Assets. Other current assets consist of the following as of June 27, 2010 and June 28, 2009, respectively.

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Prepaid expenses:		
Insurance	$ 823	$ 1,701
VAT	2,281	2,013
Sales and service contract	—	425
Information technology services	222	283
Other	360	311
Deposits	2,433	731
	$ 6,119	$ 5,464

Property, Plant and Equipment. Property, plant and equipment ("PP&E") are stated at cost. Depreciation is computed for asset groups primarily utilizing the straight-line method for financial reporting and accelerated methods for tax reporting. For financial reporting purposes, asset lives have been assigned to asset categories over periods ranging between three and forty years. The range of asset lives by category is as follows: buildings and improvements — fifteen to forty years, machinery and equipment — seven to fifteen years, and other assets — three to seven years. Capital leases are amortized over the life of the lease and the amortization expense is included as part of depreciation expense. The Company has a significant binding commitment for the construction of a recycled polyester chip plant. See "Footnote 12-Commitments and Contingencies" for further disclosure of the Company's purchase obligations.

The Company capitalizes internal software costs from time to time when the costs meet or exceed its capitalization policy. The Company has $2 million and $6 million of capitalized internal software costs and $1.5 million and $5.2 million in accumulated amortization included in its PP&E as of June 27, 2010 and June 28, 2009, respectively. Internal software costs that are capitalized are amortized over a period of three years.

Costs related to PP&E which do not significantly increase the useful life of an existing asset or do not significantly alter, modify or change the process or production capacity of an existing asset are expensed as repairs and maintenance. Planned maintenance activities are budgeted annually and are expensed as incurred. Costs for dismantling, moving, and reinstalling existing equipment are charged as restructuring expenses. For the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008, the Company incurred $15.1 million, $14.6 million, and $17.2 million, respectively, related to repair and maintenance expenses.

Interest is capitalized when a capital project requires a period of time in which to carry out the activities necessary to bring it to the condition and location for its intended use. For the year ended June 27, 2010 the amount of interest that was capitalized to PP&E was $0.3 million. There was no interest capitalized in the previous year.

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held and used, impairments may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of loss to be recognized. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value measured by future discounted cash flows. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary.

For assets held for disposal, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required of fair value, disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. Actual cash flows received or paid could differ from those used in estimating the impairment loss, which would impact the impairment charge ultimately recognized and the Company's cash flows.

Impairment of Joint Venture Investments. The Company evaluates the ability of its investments in unconsolidated affiliates to sustain sufficient earnings to justify its carrying value and any reductions below carrying value that are not temporary should be assessed for impairment purposes. The Company evaluates its equity investments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and Other Intangible Assets, Net. Goodwill and other indefinite-lived intangibles are reviewed for impairment annually, unless specific circumstances indicate that a more timely review is warranted. Due to economic conditions and declining market capitalization of the Company during the third quarter of fiscal year 2009, the Company performed an interim impairment test resulting in an $18.6 million impairment charge to write off the goodwill. This impairment test involved estimates and judgments that were critical in determining whether any impairment charge should be recorded and the amount of such charge. In addition, future events impacting cash flows for existing assets could render a write-down necessary that previously required no such write-down.

Other Noncurrent Assets. Other noncurrent assets at June 27, 2010, and June 28, 2009, consist primarily of the following:

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Cash surrender value of key executive life insurance	$ 3,615	$ 3,445
Bond issue costs and debt origination fees	3,585	4,700
Long-term deposits	5,281	5,197
Other	124	192
	$ 12,605	$ 13,534

Debt related origination costs have been amortized on the straight-line method over the life of the corresponding debt, which approximates the effective interest method. At June 27, 2010 and June 28, 2009, accumulated amortization for debt origination costs was $4.6 million and $3.5 million, respectively.

Accrued Expenses. The following table reflects the composition of the Company's accrued expenses as of June 27, 2010 and June 28, 2009:

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Payroll and fringe benefits	$ 14,127	$ 6,957
Severance	301	1,385
Interest	2,429	2,496
Utilities	2,539	2,085
Retiree reserve	165	190
Property taxes	876	1,094
Other	1,288	1,062
	$ 21,725	$ 15,269

Defined Contribution Plan. The Company matches employee contributions made to the Unifi, Inc. Retirement Savings Plan (the "DC Plan"), an existing 401(k) defined contribution plan, which covers eligible salaried and hourly employees. Under the terms of the DC Plan, the Company matches 100% of the first three percent of eligible employee contributions and 50% of the next two percent of eligible contributions. In March 2009, the Company suspended its match due to economic conditions. In January 2010, the Company reinstated its matching contributions. For the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008, the Company incurred $0.8 million, $1.5 million, and $2.1 million, respectively, of expense for its obligations under the matching provisions of the DC Plan.

Income Taxes. The Company and its domestic subsidiaries file a consolidated federal income tax return. Income tax expense is computed on the basis of transactions entering into pre-tax operating results. Deferred income taxes have been provided for the tax effect of temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. Except as disclosed in "Footnote 5-Income Taxes," income taxes have not been provided for the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

Operating Leases. The Company is obligated under operating leases relating primarily to real estate and equipment. The following table summarizes future obligations for minimum rental payments under the leases on a fiscal year basis (amounts in thousands):

2011	2012	2013	2014	2015	Thereafter	Total
$1,817	$1,622	$1,199	$1,199	$1,164	$1,821	$8,822

Rental expense was $2.4 million, $3.2 million, and $3 million for the fiscal years 2010, 2009, and 2008, respectively. There are renewal options for some of these leases which cover various future periods from two months to five years with no escalation clauses.

Research and Development. For fiscal years 2010, 2009, and 2008, the Company incurred $2.3 million, $2.4 million, and $2.6 million of expense for its research and development activities, respectively.

Other Operating (Income) Expense, Net. The following table reflects the components of the Company's other operating (income) expense, net:

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009 (Amounts in thousands)	June 29, 2008
Net (gain) loss on sale or disposal of PP&E	$ 680	$ (5,856)	$ (4,003)
Gain from sale of nitrogen credits	(1,400)	—	(1,614)
Currency (gains) losses	(145)	354	522
Technology fees from China joint venture	—	—	(1,398)
Other, net	(168)	11	66
	$ (1,033)	$ (5,491)	$ (6,427)

Income (loss) Per Share. The following table details the computation of basic and diluted earnings (losses) per share:

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009 (Amounts in thousands)	June 29, 2008
Numerator:			
Income (loss) from continuing operations before discontinued operations	$ 10,685	$ (49,061)	$ (19,377)
Income from discontinued operations, net of tax	—	65	3,226
Net income (loss)	$ 10,685	$ (48,996)	$ (16,151)
Denominator:			
Denominator for basic earnings (losses) per share — weighted average shares	20,325	20,606	20,192
Effect of dilutive securities:			
Stock options	147	—	—
Diluted potential common shares denominator for diluted income (losses) per share — adjusted weighted average shares and assumed conversions	20,472	20,606	20,192
Shares excluded due to anti-dilutive effect:			
Stock options	284	738	1,278

In addition to the anti-dilutive options excluded from the calculation of dilutive shares the Company also has certain options outstanding that vest based upon the achievement of certain market conditions. The market condition options excluded from the calculation of dilutive shares for fiscal years 2010, 2009 and 2008 were 583,312, 583,312 and 516,652, respectively since their market conditions were not met. All outstanding amounts and computations using such amounts have been retroactively adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.

Stock-Based Compensation. The Company recognizes stock-based compensation expense based on the grant date fair value of the award over the requisite service period.

Comprehensive Income (Loss). Comprehensive income (loss) includes net income (loss) and other changes in net assets of a business during a period from non-owner sources, which are not included in net income (loss). Such non-owner changes may include, for example, available-for-sale securities and foreign currency translation adjustments. The only changes in net assets of the business during the period from non-owner sources are foreign currency translation adjustments. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

Recent Accounting Pronouncements. In June 2009, the Financial Accounting Standards Board ("FASB") issued

Statement of Financial Accounting Standards (“SFAS”) No. 168 “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles”, a replacement of SFAS 162, “The Hierarchy of Generally Accepted Accounting Principles”. The statement was effective for all financial statements issued for interim and annual periods ending after September 15, 2009. On June 30, 2009, the FASB issued its first Accounting Standard Update (“ASU”) No. 2009-01 “Topic 105 — Generally Accepted Accounting Principles amendments based on No. 168 the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles”. Accounting Standards Codification (“ASC”) 105-10 establishes a single source of GAAP which is to be applied by nongovernmental entities. All guidance contained in the ASC carries an equal level of authority; however there are standards that will remain authoritative until such time that each is integrated into the ASC. The Securities and Exchange Commission (“SEC”) also issues rules and interpretive releases that are also sources of authoritative GAAP for publicly traded registrants. The ASC superseded all existing non-SEC accounting and reporting standards.

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

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

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

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

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

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This ASU provides amendments to Topic 820 which requires new disclosures related to assets measured at fair value. In addition, this ASU includes amendments to the guidance on employers' disclosures related to the classification of postretirement benefit plan assets and the related fair value measurement of those classifications. This update was effective December 15, 2009. The adoption of ASU No. 2010-06 did not have an impact on the Company's consolidated financial position or results of operations.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events (Topic 855): Amendments to certain Recognition and Disclosure Requirements". An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between the ASC and the SEC's requirements. In addition the scope of the "reissuance" disclosure requirements is refined to include revised financial statements only. This update was effective February 24, 2010. The adoption of ASU No. 2010-09 did not have an impact on the Company's consolidated financial position or results of operations.

Use of Estimates. The preparation of financial statements in conformity with United States ("U.S.") GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Investments in Unconsolidated Affiliates

On September 13, 2000, the Company and SANS Fibres of South Africa formed a 50/50 joint venture named UNIFI-SANS Technical Fibers, LLC ("USTF") to produce low-shrinkage high tenacity nylon 6.6 light denier industrial yarns in North Carolina. The business was operated in a plant in Stoneville, North Carolina which was owned by the Company. In the second quarter of fiscal year 2008, the Company completed the sale of its interest in USTF to SANS Fibers and received net proceeds of $11.9 million. The purchase price included $3 million for the Stoneville, North Carolina manufacturing facility that the Company leased to the joint venture which had a net book value of $2.1 million. Of the remaining $8.9 million, $8.8 million was allocated to the Company's equity investment in the joint venture and $0.1 million was attributed to interest income.

On September 27, 2000, the Company and Nilit Ltd. ("Nilit"), located in Israel, formed a 50/50 joint venture named U.N.F. Industries Ltd. ("UNF"). The joint venture produces nylon partially oriented yarn ("POY") at Nilit's manufacturing facility in Migdal Ha—Emek, Israel. The nylon POY is utilized in the Company's nylon texturing and covering operations.

On October 8, 2009, the Company formed a new joint venture, UNF America, LLC ("UNF America"), with Nilit for the purpose of producing nylon POY in Nilit's Ridgeway, Virginia plant. The Company's initial investment in UNF America was $50 thousand dollars. In addition, the Company loaned UNF America $0.5 million for working capital. The loan carries interest at LIBOR plus one and one-half percent and both principal and interest shall be paid from the future profits of UNF America at such time as deemed appropriate by its members. The loan is being treated as an additional investment by the Company for accounting purposes.

In conjunction with the formation of UNF America, the Company entered into a supply agreement with UNF and UNF America whereby the Company is committed to purchase its requirements, subject to certain exception, for first quality nylon POY for texturing (excluding specialty yarns) from UNF or UNF America. Pricing under the contract is negotiated every six months and is based on market rates.

On April 26, 2010, the Company entered into an agreement to form another new joint venture, Repreve Renewables, LLC ("Repreve Renewables"). This joint venture was established for the purpose of acquiring the assets and the expertise related to the business of cultivating, growing, and selling biomass crops, including feedstock for establishing biomass crops that are intended to be used as a fuel or in the production of fuels or energy in the U.S. and the European Union. The Company received a 40% ownership interest in the joint venture for its contribution of $4 million. In addition, the Company contributed $0.3 million for its share of initial working capital.

In June 1997, the Company contributed all of the assets of its spun cotton yarn operations, utilizing open-end and air jet spinning technologies, into PAL, a joint venture with Parkdale Mills, Inc. in exchange for a 34% ownership interest in the joint venture. PAL is a producer of cotton and synthetic yarns for sale to the textile and apparel industries primarily within North America. PAL has 15 manufacturing facilities located in North Carolina, South Carolina, Virginia, and Georgia and participates in a joint venture in Mexico.

PAL receives benefits under the Food, Conservation, and Energy Act of 2008 (“2008 U.S. Farm Bill”) which extended the existing upland cotton and extra long staple cotton programs (the “Program”), including economic adjustment assistance provisions for ten years. Beginning August 1, 2008, the Program provided textile mills a subsidy of four cents per pound on eligible upland cotton consumed during the first four years and three cents per pound for the last six years. The economic assistance received under this Program must be used to acquire, construct, install, modernize, develop, convert or expand land, plant, buildings, equipment, or machinery. Capital expenditures must be directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the U.S. The recipients have the marketing year from August 1 to July 31, plus eighteen months to make the capital expenditures. Under the Program, the subsidiary payment is received from the U.S. Department of Agriculture (“USDA”) the month after the eligible cotton is consumed. However, the economic assistance benefit is not recognized by PAL into operating income until the period when both criteria have been met; i.e. eligible upland cotton has been consumed, and qualifying capital expenditures under the Program have been made.

On October 19, 2009 PAL notified the Company that approximately $8 million of the capital expenditures recognized for fiscal year 2009 had been preliminarily disqualified by the USDA. PAL appealed the decision with the USDA. In November 2009, PAL notified the Company that the USDA had denied the appeal and PAL filed a second appeal for a higher level review and a hearing took place during the Company’s third quarter of fiscal year 2010. As a result of this process, PAL recorded a $4.1 million unfavorable adjustment to its 2009 earnings related to economic assistance from the USDA that was disqualified offset by $0.6 million related to inventory valuation adjustments in the March 2010 quarter. As a result, the Company recorded a $1.2 million unfavorable adjustment for its share of the prior year economic assistance and inventory valuation adjustments.

PAL received $22.3 million of economic assistance under the program during the Company’s fiscal year ended June 27, 2010 and, in accordance with the program provisions, recognized $17.6 million in economic assistance in its operating income. As of June 27, 2010, PAL’s deferred revenue relating to this Program was $13.4 million which PAL expects to be fully realized through the completion of qualifying capital expenditures within the timelines prescribed by the Program.

On October 28, 2009, PAL acquired certain real property and machinery and equipment, as well as entered into lease agreements for real property and machinery and equipment, that constitute most of the yarn manufacturing operations of HBI. Concurrent with the transaction, PAL entered into a yarn supply agreement with HBI to supply at least 95% of the yarn used in the manufacturing of HBI’s apparel products at any of HBI’s locations in North America, Central America, or the Caribbean Basin for a six-year period with an option for HBI to extend for two additional three-year periods. The supply agreement also covers certain yarns used in manufacturing in China through December 31, 2011.

The Company’s investment in PAL at June 27, 2010 was $65.4 million and the underlying equity in the net assets of PAL at June 27, 2010 was $83.4 million. The difference between the carrying value of the Company’s investment in PAL and the underlying equity in PAL is attributable to initial excess capital contributions by the Company of $53.4 million, the Company’s share of the settlement cost of an anti-trust lawsuit against PAL in which the Company did not participate of $2.6 million, and the Company’s share of other comprehensive income of $0.1 million offset by an impairment charge taken by the Company on its investment in PAL of $74.1 million.

In August 2005, the Company formed Yihua Unifi Fibre Company Limited (“YUFI”), a 50/50 joint venture with Sinopec Yizheng Chemical Fiber Co., Ltd, (“YCFC”), to manufacture, process and market polyester filament yarn in YCFC’s facilities in Yizheng, Jiangsu Province, People’s Republic of China (“China”). During fiscal year 2008, the Company’s management explored strategic options with its joint venture partner in China with the ultimate goal of determining if there was a viable path to profitability for YUFI. Management concluded that although YUFI had successfully grown its position in high value and premier value-added ("PVA") products, commodity sales would continue to be a large and unprofitable portion of the joint venture's business. In addition, the Company believed YUFI had focused too much attention and energy on non-value added issues, detracting management from its primary PVA objectives. Based on these conclusions, the Company decided to exit the joint venture and on July 30, 2008, the Company announced that it had reached a proposed agreement to sell its 50% interest in YUFI to its partner for $10 million.

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

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

In December 2008, the Company renegotiated the proposed agreement to sell its interest in YUFI to YCFC for $9 million and recorded an additional impairment charge of $1.5 million, which included $0.5 million related to certain disputed accounts receivable and $1 million related to the fair value of its investment, as determined by the re-negotiated equity interest sales price which was lower than carrying value.

On March 30, 2009, the Company closed on the sale and received $9 million in proceeds related to its investment in YUFI. The Company continues to service customers in Asia through Unifi Textiles Suzhou Co., Ltd. ("UTSC"), a wholly-owned subsidiary based in Suzhou, China, that is primarily focused on the development, sales and service of PVA and specialty yarns.

Condensed balance sheet information and income statement information as of June 27, 2010, June 28, 2009, and June 29, 2008 of the combined unconsolidated equity affiliates were as follows (amounts in thousands):

	June 27, 2010	June 28, 2009
Current assets	$210,455	$152,871
Noncurrent assets	132,846	101,893
Current liabilities	53,458	22,835
Noncurrent liabilities	27,621	8,405
Shareholders' equity and capital accounts	262,222	223,524

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
Net sales	$622,841	$427,000	$632,605
Gross profit	57,196	21,662	14,705
Depreciation and amortization	22,844	20,701	26,263
Income (loss) from operations	38,896	10,441	(5,215)
Net income	38,956	7,029	8,011

USTF and PAL were organized as partnerships for U.S. tax purposes. Taxable income and losses are passed through USTF and PAL to the members in accordance with the Operating Agreements of USTF and PAL. For the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008, distributions received by the Company from PAL were $3.3 million, $3.7 million, and $4.5 million, respectively. The total undistributed earnings of unconsolidated equity affiliates were $9.4 million and $3.3 million, respectively, as of June 27, 2010 and June 28, 2009. Included in the above net sales amounts for fiscal years 2010, 2009, and 2008 are sales to Unifi of $24.2 million, $17.5 million, and $26.7 million, respectively. These amounts represent sales of nylon POY from UNF and UNF America for use in the production of textured nylon yarn in the ordinary course of business. The Company eliminated intercompany profits in accordance with its accounting policy.

3. Long-Term Debt and Other Liabilities

A summary of long-term debt and other liabilities is as follows:

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Senior secured notes — due 2014	$ 178,722	$ 179,222
Brazilian government loans	—	6,931
Other obligations	2,858	3,399
Total debt and other obligations	181,580	189,552
Current maturities	(15,327)	(6,845)
Total long-term debt and other liabilities	$ 166,253	$ 182,707

Long-Term Debt

On May 26, 2006, the Company issued $190 million of 11.5% senior secured notes ("2014 notes") due May 15, 2014. In connection with the issuance, the Company incurred $7.3 million in professional fees and other expenses which are being amortized to expense over the life of the 2014 notes. Interest is payable on the 2014 notes on May 15 and November 15 of each year. The 2014 notes are unconditionally guaranteed on a senior, secured basis by each of the Company's existing and future restricted domestic subsidiaries. The 2014 notes and guarantees are secured by first-priority liens, subject to permitted liens, on substantially all of the Company's and the Company's subsidiary guarantors' assets other than the assets securing the Company's obligations under its amended revolving credit facility ("Amended Credit Agreement") as discussed below. The assets include but are not limited to; PP&E, domestic capital stock and some foreign capital stock. Domestic capital stock includes the capital stock of the Company's domestic subsidiaries and certain of its joint ventures. Foreign capital stock includes up to 65% of the voting stock of the Company's first-tier foreign subsidiaries, whether now owned or hereafter acquired, except for certain excluded assets. The 2014 notes and guarantees are secured by second-priority liens, subject to permitted liens, on the Company and its subsidiary guarantors' assets that will secure the 2014 notes and guarantees on a first-priority basis. The estimated fair value of the 2014 notes, based on quoted market prices, at June 27, 2010 was $184 million.

In accordance with the 2014 notes collateral documents and the indenture, the proceeds from the sale of PP&E (First Priority Collateral) will be deposited into the First Priority Collateral Account whereby the Company may use the restricted funds to purchase additional qualifying assets. From May 26, 2006 through June 27, 2010, the Company sold PP&E secured by first-priority liens in an aggregate amount of $26.1 million and purchased qualifying assets in the same amount, leaving no funds remaining in the First Priority Collateral Account.

After May 15, 2010, the Company can elect to redeem some or all of the 2014 notes at redemption prices equal to or in excess of par depending on the year the optional redemption occurs. As of June 27, 2010, no such optional redemptions had occurred. However, on May 25, 2010, the Company announced that it was calling for the redemption of $15 million of the 2014 notes at a redemption price of 105.75% of the principal amount of the redeemed notes. This redemption was completed on June 30, 2010 and was financed through a combination of internally generated cash and borrowings under the Company's senior secured asset-based revolving credit facility discussed below. As a result, the Company will record a $1.1 million charge for the early extinguishment of debt in the September 2010 quarter.

The Company may also purchase its 2014 notes in open market purchases or in privately negotiated transactions and then retire them. Such purchases of the 2014 notes will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. On September 15, 2009, the Company repurchased and retired notes having a face value of $0.5 million in open market purchases. The gain on this repurchase offset by the write-off of the respective unamortized issuance cost of the 2014 notes resulted in a net gain of $54 thousand.

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

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

As of June 27, 2010, under the terms of the Amended Credit Agreement, the Company had no outstanding borrowings and borrowing availability of $73.9 million. As of June 28, 2009, under the terms of the Amended Credit Agreement, the Company had no outstanding borrowings and borrowing availability of $62.7 million.

The Amended Credit Agreement contains affirmative and negative customary covenants for asset-based loans that restrict future borrowings and capital spending. The covenants under the Amended Credit Agreement are more restrictive than those in the indenture. Such covenants include restrictions and limitations on (i) sales of assets, consolidation, merger, dissolution and the issuance of the Company's capital stock, each subsidiary guarantor and any domestic subsidiary thereof, (ii) permitted encumbrances on the Company's property, each subsidiary guarantor and any domestic subsidiary thereof, (iii) the incurrence of indebtedness by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (iv) the making of loans or investments by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (v) the declaration of dividends and redemptions by the Company or any subsidiary guarantor and (vi) transactions with affiliates by the Company or any subsidiary guarantor. It also includes a trailing twelve month fixed charge coverage ratio that restricts the guarantor's ability to use domestic cash to invest in certain assets if the ratio becomes less than 1.0 to 1.0, after giving effect to such investment on a pro forma basis. As of June 27, 2010 the Company had a fixed charge coverage ratio of less than 1.0 to 1.0 and was therefore not permitted to use domestic cash to invest in joint ventures or to acquire the assets or capital stock of another entity.

Under the Amended Credit Agreement, the maximum capital expenditures are limited to $30 million per fiscal year with a 75% one-year unused carry forward. The Amended Credit Agreement permits the Company to make distributions, subject to standard criteria, as long as pro forma excess availability was greater than $25 million both before and after giving effect to such distributions, subject to certain exceptions. Under the Amended Credit Agreement, acquisitions by the Company are subject to pro forma covenant compliance. If borrowing capacity was less than $25 million at any time, covenants will include a required minimum fixed charge coverage ratio of 1.1 to 1.0, receivables are subject to cash dominion, and annual capital expenditures are limited to $5 million per year of maintenance capital expenditures.

On September 9, 2010, the Company and the Subsidiary Guarantors (as co-borrowers) entered into the First Amendment to the Amended and Restated Credit Agreement (the "First Amended Credit Agreement") with Bank of America, N.A. (as both Administrative Agent and Lender thereunder). The First Amended Credit Agreement provides for a revolving credit facility in an amount of $100 million (with the ability of the Company to request that the borrowing capacity be increased up to $150 million) and matures on September 9, 2015, provided that unless the 2014 notes have been prepaid, redeemed, defeased or otherwise repaid in full on or before February 15, 2014, the maturity date will be adjusted to February 15, 2014. The First Amended Credit Agreement amends the Amended Credit Agreement discussed above.

The First Amended Credit Agreement is secured by first-priority liens on the Company's and its subsidiary guarantors' inventory, accounts receivable, general intangibles (other than uncertificated capital stock of subsidiaries and other persons), investment property (other than capital stock of subsidiaries and other persons), chattel paper, documents, instruments, supporting obligations, letter of credit rights, deposit accounts and other related personal property and all proceeds relating to any of the above, and by second-priority liens, subject to permitted liens, on the Company's and its subsidiary guarantors' assets securing the 2014 notes and guarantees on a first-priority basis, in each case other than certain excluded assets. The Company's ability to borrow under the First Amended Credit Agreement is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to other conditions and limitations.

Borrowings under the First Amended Credit Agreement bear interest at rates of LIBOR plus 2.00% to 2.75% and/or prime plus 0.75% to 1.50%. The interest rate matrix is based on the Company's excess availability under the First Amended Credit Agreement. The unused line fee under the First Amended Credit Agreement is 0.375% to 0.50% of the unused line amount. In connection with the First Amended Credit Agreement, the Company estimates that there will be fees and expenses totaling approximately $0.8 million, which will be added to the $0.2 million of remaining debt origination costs from the Amended Credit Agreement and amortized over the term of the facility.

The First Amended Credit Agreement contains customary affirmative and negative covenants for asset-based loans that restrict future borrowings and certain transactions. Such covenants include restrictions and limitations on (i) sales of assets, consolidation, merger, dissolution and the issuance of the Company's capital stock, any subsidiary guarantor and any domestic subsidiary thereof, (ii) permitted encumbrances on the Company's property, any subsidiary guarantor and any domestic subsidiary thereof, (iii) the incurrence of indebtedness by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (iv) the making of loans or investments by the Company, any subsidiary guarantor or any domestic subsidiary thereof, (v) the declaration of dividends and redemptions by the Company or any subsidiary guarantor and (vi) transactions with affiliates by the Company or any subsidiary guarantor. The covenants under the First Amended Credit Agreement are, however, generally less restrictive than the Amended Credit Agreement as the Company is no longer required to maintain a fixed charge coverage ratio of at least 1.0 to 1.0 to make certain distributions and investments so long as pro forma excess availability is at least 27.5% of the total credit facility. These distributions and investments include (i) the payment or making of any dividend, (ii) the redemption or other acquisition of any of the Company's capital stock, (iii) cash investments in joint ventures, (iv) acquisition of the property and assets or capital stock or a business unit of another entity and (v) loans or other investments to a non-borrower subsidiary. The First Amended Credit Agreement does require the Company to maintain a trailing twelve month fixed charge coverage ratio of at least 1.0 to 1.0 should borrowing availability decrease below 15% of the total credit facility. There are no capital expenditure limitations under the First Amended Credit Agreement.

On May 20, 1997, the Company entered into a sale leaseback agreement with a financial institution whereby land, buildings and associated real and personal property improvements of certain manufacturing facilities were sold to the financial institution and will be leased by the Company over a sixteen-year period. This transaction has been recorded as a direct financing arrangement. During fiscal year 2008, management determined that it was not likely that the Company would purchase back the property at the end of the lease term even though the Company retains the right to purchase the property under the agreement on any semi-annual payment date in the amount pursuant to a prescribed formula as defined in the agreement. As of June 27, 2010 and June 28, 2009, the balance of the capital lease obligation was $0.7 million and $1.0 million and the net book value of the related assets was $1.6 million and $2.2 million, respectively. Payments for the remaining balance of the sale leaseback agreement are due annually and are in varying amounts, in accordance with the agreement. Average annual principal payments over the next two years are $0.3 million. The interest rate implicit in the agreement is 7.84%.

Unifi do Brazil received loans from the government of the State of Minas Gerais to finance 70% of the value added taxes due by Unifi do Brazil to the State of Minas Gerais. These twenty-four month loans were granted as part of a tax incentive program for producers in the State of Minas Gerais. The loans had a 2.5% origination fee and an effective interest rate equal to 50% of the Brazilian inflation rate. The loans were collateralized by a performance bond letter issued by a Brazilian bank, which secured the performance by Unifi do Brazil of its obligations under the loans. In return for this performance bond letter, Unifi do Brazil made certain restricted cash deposits with the Brazilian bank in amounts equal to 100% of the loan amounts. The deposits made by Unifi do Brazil earned interest at a rate equal to approximately 100% of the Brazilian prime interest rate. The ability to make new borrowings under the tax incentive program ended in May 2008.

The following table summarizes the maturities of the Company's long-term debt and other noncurrent liabilities on a fiscal year basis:

	Aggregate Maturities (Amounts in thousands)					
Balance at June 27, 2010	2011	2012	2013	2014	2015	Thereafter
$181,580	$15,327	$487	$125	$163,815	$60	$1,766

Other Obligations

As of June 27, 2010 and June 28, 2009, other noncurrent liabilities include $1.4 million and $0.9 million for a deferred compensation plan for certain key management employees, $0.8 million and $1.1 million for retiree reserves and nil and $0.3 million in long-term severance obligations, respectively.

4. Intangible Assets, Net

Intangible assets subject to amortization consist of a customer list of $22 million and non-compete agreements of $4 million which were entered in connection with an asset acquisition consummated in fiscal year 2007. The customer list is being amortized in a manner which reflects the expected economic benefit that will be received over its thirteen year life. The non-compete agreements are being amortized using the straight-line method over seven years including the agreement and its extensions. There are no residual values related to these intangible assets. Accumulated amortization at June 27, 2010 and June 28, 2009 for these intangible assets was $11.9 million and $8.7 million, respectively.

In addition, the Company purchased a customer list for $0.5 million in a transaction that closed in the second quarter of fiscal year 2009. This customer list was amortized using the straight-line method over a period of one and one-half years and was fully amortized as of June 27, 2010. Accumulated amortization at June 28, 2009 was $0.2 million.

These intangible assets all relate to the Company's polyester segment. Amortization expenses were $3.5 million, $3.3 million, and $3.5 million for the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008, respectively.

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

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

5. Income Taxes

Income (loss) from continuing operations before income taxes is as follows:

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
	(Amounts in thousands)		
Income (loss) from continuing operations before income taxes:			
United States	$ (4,399)	$ (54,310)	$ (25,096)
Foreign	22,770	9,550	(5,230)
	$ 18,371	$ (44,760)	$ (30,326)

The provision for (benefit from) income taxes applicable to continuing operations for fiscal years 2010, 2009 and 2008 consists of the following:

	Fiscal Years Ended June 27, 2010	June 28, 2009	June 29, 2008
		(Amounts in thousands)	
Current:			
Federal	$ (48)	$ —	$ (5)
State	—	—	(45)
Foreign	8,325	3,927	5,296
	8,277	3,927	5,246
Deferred:			
Federal	—	—	(14,504)
Repatriation of foreign earnings	—	—	1,866
State	—	—	(1,635)
Foreign	(591)	374	(1,922)
	(591)	374	(16,195)
Income tax provision (benefit)	$ 7,686	$ 4,301	$ (10,949)

Income tax expense (benefit) was 41.8% of pre-tax income in fiscal 2010, and 9.6%, and (36.1)% of pre-tax losses in fiscal years 2009 and 2008, respectively. A reconciliation of the provision for (benefit from) income taxes with the amounts obtained by applying the federal statutory tax rate is as follows:

	Fiscal Years Ended June 27, 2010	June 28, 2009	June 29, 2008
		(Amounts in thousands)	
Federal statutory tax rate	35.0%	(35.0)%	(35.0)%
State income taxes, net of federal tax benefit	(0.4)	(3.9)	(3.1)
Foreign income taxed at lower rates	(5.6)	2.1	17.2
Repatriation of foreign earnings	8.4	(3.9)	6.2
North Carolina investment tax credits expiration	5.2	2.2	8.0
Change in valuation allowance	(0.4)	45.2	(26.0)
Nondeductible expenses and other	(0.4)	2.9	(3.4)
Effective tax rate	41.8%	9.6%	(36.1)%

In fiscal year 2008, the Company accrued federal income tax on $5 million of dividends expected to be distributed from a foreign subsidiary in future fiscal periods and $0.3 million of dividends distributed from a foreign subsidiary during fiscal year 2008. During the third quarter of fiscal year 2009, management revised its assertion with respect to the repatriation of $5 million of dividends and at that time intended to permanently reinvest this $5 million amount outside of the U.S. During fiscal year 2010, the Company repatriated current foreign earnings of $5.2 million for which the Company recorded an accrual of the related federal income taxes. All remaining undistributed earnings are deemed to be indefinitely reinvested. Undistributed earnings reinvested indefinitely in foreign subsidiaries aggregated $65.3 million at June 27, 2010.

The deferred income taxes reflect the net tax effects of temporary differences between the basis of assets and liabilities for financial reporting purposes and their basis for income tax purposes.

Significant components of the Company's deferred tax liabilities and assets as of June 27, 2010 and June 28, 2009 were as follows:

	June 27, 2010	June 28, 2009
	(Amounts in thousands)	
Deferred tax assets:		
Investments in unconsolidated affiliates	$ 16,331	$ 18,882
State tax credits	1,391	2,347
Accrued liabilities and valuation reserves	8,748	11,080
Net operating loss carryforwards	20,318	17,663
Intangible assets	8,483	8,809
Charitable contributions	222	253
Other items	2,428	2,392
Total gross deferred tax assets	57,921	61,426
Valuation allowance	(39,988)	(40,118)
Net deferred tax assets	17,933	21,308
Deferred tax liabilities:		
PP&E	15,791	20,114
Other	616	387
Total deferred tax liabilities	16,407	20,501
Net deferred tax asset	$ 1,526	$ 807

As of June 27, 2010, the Company has $53.7 million in federal net operating loss carryforwards and $40.5 million in state net operating loss carryforwards that may be used to offset future taxable income. The Company also has $1.9 million in North Carolina investment tax credits and $0.3 million of charitable contribution carryforwards, the deferred income tax effects of which are fully offset by valuation allowances. The Company accounts for investment credits using the flow-through method. These carryforwards, if unused, will expire as follows:

Federal net operating loss carryforwards	2024 through 2030
State net operating loss carryforwards	2011 through 2030
North Carolina investment tax credit carryforwards	2011 through 2015
Charitable contribution carryforwards	2011 through 2015

For the year ended June 27, 2010, the valuation allowance decreased $0.1 million primarily as a result of the decrease in temporary differences and the expiration of state income tax credit carryforwards which were offset by an increase in federal net operating loss carryforwards. For the year ended June 28, 2009, the valuation allowance increased $20.3 million primarily as a result of the increase in federal net operating loss carryforwards and the impairment of goodwill. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, available taxes in the carryback periods, projected future taxable income and tax planning strategies in making this assessment.

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

	June 27, 2010	June 28, 2009	June 29, 2008
		(Amounts in thousands)	
Beginning balance	$ 2,167	$ 4,666	$ 6,813
Increases (decreases) resulting from tax positions taken during the current period	—	—	319
Increases (decreases) resulting from tax positions taken during prior periods	(1,793)	(2,499)	(2,466)
Ending balance	$ 374	$ 2,167	$ 4,666

None of the unrecognized tax benefits would, if recognized, affect the effective tax rate.

The Company has elected to classify interest and penalties recognized as income tax expense. The Company had $0.1 million of accrued interest and no penalties related to uncertain tax positions in fiscal year 2008. The Company did not accrue interest or penalties related to uncertain tax positions during fiscal years 2009 or 2010.

The Company is subject to income tax examinations for U.S. federal income taxes for fiscal years 2005 through 2010, for non-U.S. income taxes for tax years 2001 through 2010, and for state and local income taxes for fiscal years 2001 through 2010. During fiscal year 2009, the Internal Revenue Service completed their examination of the Company's return for fiscal year 2006. The examination resulted in a $0.3 million reduction in the net operating loss carryforward, but did not affect the amount of tax the Company reported on its return.

6. Common Stock, Stock Option Plans and Restricted Stock Plan

Common shares authorized were 500 million in fiscal years 2010 and 2009. Common shares outstanding at June 27, 2010 and June 28, 2009 were 20,057,322 and 20,685,655, respectively.

Stock options were granted during fiscal years 2010, 2009, and 2008. The fair value and related compensation expense of options were calculated as of the issuance date using the Black-Scholes model for awards granted in fiscal year 2010, which contain graded vesting provisions based on a continuous service condition. A Monte Carlo model was used for awards granted in fiscal years 2009 and 2008, which contain vesting provisions subject to market conditions. The stock option valuation models used the following assumptions:

	Fiscal Years Ended		
Options Granted	**June 27, 2010**	**June 28, 2009**	**June 29, 2008**
Expected term (years)	5.5	7.9	6.6
Interest rate	2.8%	3.7%	4.4%
Volatility	63.6%	63.6%	62.3%
Dividend yield	—	—	—

On October 21, 1999, the shareholders of the Company approved the 1999 Unifi, Inc. Long-Term Incentive Plan ("1999 Long-Term Incentive Plan"). The plan authorized the issuance of up to 2,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including Incentive Stock Options ("ISO"), Non-Qualified Stock Options ("NQSO") and restricted stock, but not more than 1,000,000 shares may be issued as restricted stock. Option awards granted under this plan were issued with an exercise price equal to the market price of the Company's stock at the date of grant.

During the second quarter of fiscal year 2008, the Compensation Committee ("Committee") of the Board of Directors ("Board") authorized the issuance of 523,319 options from the 1999 Long-Term Incentive Plan of which 40,000 were issued to certain Board members and the remaining options were issued to certain key employees. The options issued to key employees are subject to a market condition which vests the options on the date that the closing price of the Company's common stock shall have been at least $18 per share for thirty consecutive trading days. The options issued to certain Board members are subject to a similar market condition in that one half of each member's options vest on the date that the closing price of the Company's common stock shall have been at least $24 per share for thirty consecutive trading days and the remaining one half vest on the date that the closing price of the Company's common stock shall have been at least $30 per share for thirty consecutive trading days. The Company used a Monte Carlo stock option model to estimate the fair value which ranges from $5.16 per share to $5.37 per share and the derived vesting periods which range from 2.4 to 3.9 years. These options have ten year contractual terms.

On October 29, 2008, the shareholders of the Company approved the 2008 Unifi, Inc. Long-Term Incentive Plan ("2008 Long-Term Incentive Plan"). The 2008 Long-Term Incentive Plan authorized the issuance of up to 2,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including ISO, NQSO and restricted stock, but not more than 1,000,000 shares may be issued as restricted stock. Option awards are granted with an exercise price not less than the market price of the Company's stock at the date of grant.

During the second quarter of fiscal year 2009, the Committee authorized the issuance of 93,326 stock options from the 2008 Long-Term Incentive Plan to certain key employees. The stock options are subject to a market condition which vests the options on the date that the closing price of the Company's common stock shall have been at least $18 per share for thirty consecutive trading days. The exercise price is $12.48 per share which is equal to the market price of the Company's stock on the grant date. The Company used a Monte Carlo stock option model to estimate the fair value of $7.47 per share and the derived vesting period of 1.2 years. These options have ten year contractual terms.

During the first quarter of fiscal year 2010, the Committee authorized the issuance of 566,659 stock options from the 2008 Long-Term Incentive Plan to certain key employees and certain members of the Board. The stock options vest ratably over a three year period and have ten year contractual terms. The Company used the Black-Scholes model to estimate the weighted-average grant date fair value of $3.34 per share.

The compensation cost that was charged against income for the fiscal years ended June 27, 2010, June 28, 2009, and June 29, 2008 related to these plans was $2.1 million, $1.4 million, and $1 million, respectively. These costs were recorded as selling, general and administrative expense with the offset to additional paid-in-capital. The total income tax benefit recognized for share-based compensation in the Consolidated Statements of Operations was not material for all periods presented.

The fair value of each option award is estimated on the date of grant using either the Black-Scholes model for awards containing a service condition or a Monte Carlo model for awards containing a market price condition. The Company uses historical data to estimate the expected life, volatility, and estimated forfeitures of an option. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Monte Carlo model simulates future stock movements in order to determine the fair value of the option grant and derived service period.

At June 27, 2010, the Company has 649,985 and 1,082,423 shares reserved for the options that remain outstanding under grants from the 2008 Long-Term Incentive Plan and the 1999 Long-Term Incentive Plan, respectively. There were no remaining outstanding options issued under the previous ISO and NQSO plans at June 27, 2010. No additional options will be issued under the 1999 Long-Term Incentive Plan or any previous ISO or NQSO plan. The stock option activity for fiscal year 2010 for all plans is as follows:

	2008 and 1999 Long-Term Incentive Plans		Previous Plans	
	Options Outstanding	Weighted Avg. $/Share	Options Outstanding	Weighted Avg. $/Share
Shares under option — at June 28, 2009	1,321,084	14.37	—	—
Granted	566,659	5.80	—	—
Exercised	—	—	—	—
Expired	(155,335)	35.58	—	—
Forfeited	—	—	—	—
Shares under option — at June 27, 2010	1,732,408	9.67	—	—

The weighted average grant-date fair value of options granted in fiscal 2010, 2009, and 2008 was $3.34, $7.47, and $5.36, respectively. The total intrinsic value of options exercised was $1.6 million and $24 thousand in fiscal years 2009 and 2008, respectively. There were no options exercised in fiscal year 2010. The amount of cash received from the exercise of options was $3.8 million and $0.4 million in fiscal years 2009 and 2008, respectively.

A summary of the status of the Company's non-vested shares as of June 27, 2010, and changes during the year ended June 27, 2010, is presented below.

Non-vested Shares	Market Condition Shares	Service Condition Shares	Total Shares	Weighted-Average Grant-Date Fair Value
Non-vested at June 28, 2009	583,312	—	583,312	$ 5.66
Granted	—	566,659	566,659	3.34
Vested	—	—	—	—
Forfeited	—	—	—	—
Non-vested at June 27, 2010	583,312	566,659	1,149,971	$ 4.52

The following table sets forth the exercise prices, the number of options outstanding and exercisable and the remaining contractual lives of the Company's stock options as of June 27, 2010:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (Years)	Number of Options Exercisable	Weighted Average Exercise Price
$ 5.73 - $ 9.30	1,364,965	$ 7.25	7.6	298,320	$ 8.48
9.31 - 18.60	136,658	11.62	7.4	53,332	10.27
18.61 - 27.90	212,592	22.23	1.5	212,592	22.23
27.91 - 33.42	18,193	29.77	1.4	18,193	29.77
Totals	1,732,408	9.67	6.8	582,437	14.33

The following table sets forth certain required stock option information for awards granted under the 1999 Long-Term Incentive Plan and the 2008 Long-Term Incentive Plan as of and for the year ended June 27, 2010:

	2008 and 1999 Long-Term Incentive Plan
Number of options vested and expected to vest	1,696,672
Weighted-average price of options vested and expected to vest	$ 9.75
Intrinsic value of options vested and expected to vest	$6,446,449
Weighted-average remaining contractual term of options vested and expected to vest	6.7 years
Number of options exercisable as of June 27, 2010	582,437
Weighted-average exercise price for options currently exercisable	$ 14.33
Intrinsic value of options currently exercisable	$1,162,601
Weighted-average remaining contractual term of options currently exercisable	3.7 years

The Company has a policy of issuing new shares to satisfy share option exercises. The Company has elected an accounting policy of accelerated attribution for graded vesting.

As of June 27, 2010, unrecognized compensation costs related to unvested share based compensation arrangements was $0.8 million. The weighted average period over which these costs are expected to be recognized is 1.1 years.

On November 25, 2009, the Company agreed to purchase 628,333 shares of its common stock at a purchase price of $7.95 per share from Invemed Catalyst Fund, L.P. (based on an approximate 10% discount to the closing price of the common stock on November 24, 2009). The purchase of the shares pursuant to the transaction was not pursuant to the Company's stock repurchase plan. The transaction closed on November 30, 2009 at a total purchase price of $5 million.

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

7. Assets Held for Sale

During the second quarter of fiscal year 2008, the Company negotiated an agreement with E.I. DuPont de Nemours (“DuPont”) to sell its polyester facility located in Kinston, North Carolina (“Kinston”). On March 20, 2008, the Company completed the sale of these assets. Per the agreement, the Company retained the right to sell certain idle polyester assets for a period of two years ending March 20, 2010 at which time the remaining assets would be conveyed to DuPont for no consideration. As of June 28, 2009, the Company had assets held for sale related to the consolidation of its polyester manufacturing capacity of which $1.4 million related to these remaining assets and structures. During the first quarter of fiscal year 2010, the Company entered into a contract to sell some of these assets for $1.3 million and therefore recorded a $0.1 million non-cash impairment charge. The sale closed during the second quarter of fiscal year 2010. On March 20, 2010, the remaining assets were conveyed back to DuPont with no consideration paid to the Company.

8. Impairment Charges

Write down of long-lived assets

During the first quarter of fiscal year 2008, the Company’s Brazilian polyester operation continued its modernization plan for its facilities by abandoning four of its older machines and replacing these machines with newer machines that it purchased from the Company’s domestic polyester division. As a result, the Company recognized a $0.5 million non-cash impairment charge on the older machines.

During the second quarter of fiscal year 2008, the Company evaluated the carrying value of the remaining polyester machinery and equipment at Dillon Yarn Corporation (“Dillon”). The Company sold several machines to a foreign subsidiary and in addition transferred several other machines to its Yadkinville, North Carolina facility. Six of the remaining machines were leased under an operating lease to a manufacturer in Mexico at a fair market value substantially less than their carrying value. The last five remaining machines were scrapped for spare parts inventory. These eleven machines were written down to fair market value determined by the lease; and as a result, the Company recorded a non-cash impairment charge of $1.6 million in the second quarter of fiscal year 2008. The adjusted net book value was depreciated over a two-year period which is consistent with the life of the lease.

In addition, during the second quarter of fiscal year 2008, the Company negotiated with DuPont to sell its polyester facility in Kinston, North Carolina. Based on appraisals, management concluded that the carrying value of the real estate exceeded its fair value. Accordingly, the Company recorded $0.7 million in non-cash impairment charges. On March 20, 2008, the Company completed the sale of assets located in Kinston. The Company retained the right to sell certain idle polyester assets for a period of two years.

During the fourth quarter of fiscal year 2009, the Company determined that a review of the remaining assets held for sale located in Kinston, North Carolina was necessary as a result of sales negotiations. The cash flow projections related to these assets were based on the expected sales proceeds, which were estimated based on the current status of negotiations with a potential buyer. As a result of this review, the Company determined that the carrying value of the assets exceeded the fair value and recorded $0.4 million in non-cash impairment charges related to these assets held for sale as discussed above in “Footnote 7-Assets Held For Sale”.

During the first quarter of fiscal year 2010, the Company entered into a contract to sell certain of the assets held for sale in Kinston and based on the contract price, the Company recorded a $0.1 million non-cash impairment charge in the first quarter of fiscal year 2010.

Write down of investment in unconsolidated affiliates

During the first quarter of fiscal year 2008, the Company determined that a review of the carrying value of its investment in USTF was necessary as a result of sales negotiations. As a result of this review, the Company determined that the carrying value exceeded its fair value. Accordingly, a non-cash impairment charge of $4.5 million was recorded in the first quarter of fiscal year 2008.

In July 2008, the Company announced a proposed agreement to sell its 50% ownership interest in YUFI to its partner, YCFC, for $10 million, pending final negotiation and execution of definitive agreements and the receipt of Chinese regulatory approvals. In connection with a review of the YUFI value during negotiations related to the sale, the Company initiated a review of the carrying value of its investment in YUFI. As a result of this review, the Company determined that the carrying value of its investment in YUFI exceeded its fair value. Accordingly, the Company recorded a non-cash impairment charge of $6.5 million in the fourth quarter of fiscal year 2008.

During the second quarter of fiscal year 2009, the Company and YCFC renegotiated the proposed agreement to sell the Company's interest in YUFI to YCFC from $10 million to $9 million. As a result, the Company recorded an additional impairment charge of $1.5 million, which included $0.5 million related to certain disputed accounts receivable and $1 million related to the fair value of its investment, as determined by the re-negotiated equity interest sales price which was lower than carrying value. During the fourth quarter of fiscal year 2009, the Company completed the sale of YUFI to YCFC. See "Footnote 2-Investments in Unconsolidated Affiliates" for further discussion.

Goodwill Impairment

The Company's balance sheet at December 28, 2008 reflected $18.6 million of goodwill, all of which related to a domestic polyester acquisition in January 2007. This goodwill was reviewed for impairment annually, unless specific circumstances indicated that a more timely review was warranted. This impairment test involved estimates and judgments that were critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. Based on a decline in its market capitalization during the third quarter of fiscal year 2009 and difficult market conditions, the Company determined that it was appropriate to re-evaluate the carrying value of its goodwill during the quarter ended March 29, 2009. In connection with this third quarter interim impairment analysis, the Company updated its cash flow forecasts based upon the latest market intelligence, its discount rate and its market capitalization values. The projected cash flows were based on the Company's forecasts of volume, with consideration of relevant industry and macroeconomic trends. The fair value of the domestic polyester reporting unit was determined based upon a combination of a discounted cash flow analysis and a market approach utilizing market multiples of "guideline" publicly traded companies. As a result of the findings, the Company determined that the goodwill was impaired and recorded a goodwill impairment charge of $18.6 million in the third quarter of fiscal year 2009.

9. Severance and Restructuring Charges

Severance

On August 2, 2007, the Company announced the closure of its Kinston, North Carolina polyester facility. The Kinston facility produced POY for internal consumption and third party sales. The Company continues to produce POY in the Yadkinville, North Carolina facility for its specialty and premier value yarns and purchases some of its commodity POY needs from external suppliers. During fiscal year 2008, the Company recorded $1.3 million for severance related to its Kinston consolidation. Approximately 231 employees which included 31 salaried positions and 200 wage positions were affected as a result of this reorganization. The severance expense is included in the cost of sales line item in the Consolidated Statements of Operations.

On August 22, 2007, the Company announced its plan to re-organize certain corporate staff and manufacturing support functions to further reduce costs. The Company recorded $1.1 million for severance related to this reorganization. Approximately 54 salaried employees were affected by this reorganization. The severance expense is included in the restructuring charges line item in the Consolidated Statements of Operations. In addition, the Company recorded severance of $2.4 million for its former CEO and $1.7 million for severance related to its former Chief Financial Officer ("CFO") during fiscal year 2008. These additional severance expenses are included in the selling, general and administrative expense line item in the Consolidated Statements of Operations.

On May 14, 2008, the Company announced the closure of its polyester facility located in Staunton, Virginia and the transfer of certain production to its facility in Yadkinville, North Carolina which was completed in November 2008. During the first quarter of fiscal year 2009, the Company recorded $0.1 million for severance related to its Staunton consolidation. Approximately 40 salaried and wage employees were affected by this reorganization. The severance expenses are included in the cost of sales line item in the Consolidated Statements of Operations.

In the third quarter of fiscal year 2009, the Company re-organized and reduced its workforce due to the economic downturn. Approximately 200 salaried and wage employees were affected by this reorganization related to the Company's efforts to reduce costs. As a result, the Company recorded $0.3 million in severance charges related to certain salaried corporate and manufacturing support staff. The severance expenses are included in the restructuring charges line item in the Consolidated Statements of Operations.

Restructuring

On October 25, 2006, the Company's Board approved the purchase of the assets of the yarn division of Dillon. This approval was based on a business plan which assumed certain significant synergies that were expected to be realized from the elimination of redundant overhead, the rationalization of under-utilized assets and certain other product optimization. The preliminary asset rationalization plan included exiting two of the three production activities currently operating at the Dillon facility and moving them to other Unifi manufacturing facilities. The plan was to be finalized once operations personnel from the Company would have full access to the Dillon facility, in order to determine the optimal asset plan for the Company's anticipated product mix. This plan was consistent with the Company's domestic market consolidation strategy. On January 1, 2007, the Company completed the Dillon asset acquisition.

Concurrent with the acquisition the Company entered into a Sales and Services Agreement (the "Agreement"). The Agreement covered the services of certain Dillon personnel who were responsible for product sales and certain other personnel that were primarily focused on the planning and operations at the Dillon facility. The services would be provided over a period of two years at a fixed cost of $6 million. In the fourth quarter of fiscal year 2007, the Company finalized its plan and announced its decision to exit its recently acquired Dillon polyester facility.

The closure of the Dillon facility triggered an evaluation of the Company's obligations arising under the Agreement. The Company determined from this evaluation that the fair value of the services to be received under the Agreement were significantly lower than the obligation to Dillon. As a result, the Company determined that a portion of the obligation should be considered an unfavorable contract. The Company concluded that costs totaling $3.1 million relating to services provided under the Agreement were for the ongoing benefit of the combined business and therefore should be reflected as an expense in the Company's Consolidated Statements of Operations, as incurred. The remaining Agreement costs totaling $2.9 million were for the personnel involved in the planning and operations of the Dillon facility and related to the time period after shutdown in June 2007. Therefore, these costs were reflected as an assumed purchase liability since these costs no longer related to the generation of revenue and had no future economic benefit to the combined business.

In fiscal year 2008, the Company recorded $3.4 million for restructuring charges related to contract termination costs and other noncancellable contracts for continued services after the closing of the Kinston facility. See the Severance discussion above for further details related to Kinston. These charges were recorded in the restructuring charges line item in the Consolidated Statements of Operations for fiscal year 2008.

During the fourth quarter of fiscal year 2009, the Company recorded $0.2 million of restructuring recoveries related to retiree reserves. This recovery was recorded in the restructuring charges (recoveries) line item in the Consolidated Statements of Operations for fiscal year 2009.

On January 11, 2010, the Company announced that it created Unifi Central America, Ltda. DE C.V. ("UCA"). With a base of operations established in El Salvador, UCA will serve customers in the Central American region. The Company began dismantling and relocating polyester equipment to the region during the third quarter of fiscal year 2010 and expects to complete the relocation by the second quarter of fiscal year 2011. The Company expects to incur approximately $1.6 million in polyester equipment relocation costs of which $0.8 million was incurred during fiscal year 2010. In addition, the Company expects to incur $0.7 million related to reinstallation of idle texturing equipment in its Yadkinville, North Carolina facility. The polyester equipment relocation costs are recorded in the restructuring charges line item as incurred.

The table below summarizes changes to the accrued severance and accrued restructuring accounts for the fiscal years ended June 27, 2010 and June 28, 2009 (amounts in thousands):

	Balance at June 28, 2009	Additional Charges	Adjustments	Amounts Used	Balance at June 27, 2010
Accrued severance	$1,687	$—	$20	$(1,406)	$301(1)

	Balance at June 29, 2008	Additional Charges	Adjustments	Amounts Used	Balance at June 28, 2009
Accrued severance	$3,668	$371	$ 5	$(2,357)	$1,687(2)
Accrued restructuring	1,414	—	224	(1,638)	—

(1) There was no executive severance classified as long-term as of June 27, 2010.

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

10. Discontinued Operations

On July 28, 2004, the Company announced its decision to close its European manufacturing operations including the polyester manufacturing facilities in Ireland. During fiscal year 2006, the Company received the final proceeds from the sale of capital assets with only worker's compensation claims and other regulatory commitments to be completed and included the operating results from this facility as discontinued operations for fiscal years 2007, 2008, and 2009. In March 2009, the Company completed the final accounting for the closure of the subsidiary and filed the appropriate dissolution papers with the Irish government.

The Company's polyester dyed facility in Manchester, England closed in June 2004 and the physical assets were abandoned in June 2005. At that time, the remaining assets and liabilities, which consisted of cash, receivables, office furniture and equipment, and intercompany payables were turned over to local liquidators for settlement. The subsidiary also had reserves recorded for claims by third party creditors for preferential transfers related to its historical intercompany activity. In June 2008, the Company determined that the likelihood of such claims was remote and therefore recorded $3.2 million of recoveries related to the reversal of the reserves. The Company included the results from discontinued operations in its net loss for fiscal years 2008. The subsidiary was dissolved on May 11, 2009.

Results of all discontinued operations which include the European Division and the dyed facility in England are as follows:

	Fiscal Years Ended June 28, 2009	Fiscal Years Ended June 29, 2008
	(Amounts in thousands)	
Net sales	$ —	$ —
Income from discontinued operations before income taxes	65	3,205
Income tax benefit	—	(21)
Net income from discontinued operations, net of taxes	$ 65	$ 3,226

11. Derivative Financial Instruments and Fair Value Measurements

The Company accounts for derivative contracts and hedging activities at fair value. Changes in the fair value of derivative contracts are recorded in Other operating (income) expense, net in the Consolidated Statements of Operations. The Company does not enter into derivative financial instruments for trading purposes nor is it a party to any leveraged financial instruments.

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

Currency forward contracts are used as economic hedges for the exposure for sales in foreign currencies based on specific sales made to customers. Generally, 60-75% of the sales value of these orders is covered by forward contracts. Maturity dates of the forward contracts are intended to match anticipated receivable collections. The Company marks the forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other operating (income) expense. The Company also enters currency forward contracts for committed machinery and inventory purchases. Generally up to 5% of inventory purchases made by the Company's Brazilian subsidiary are covered by forward contracts although 100% of the cost may be covered by individual contracts in certain instances. The latest maturities for all outstanding sales and purchase foreign currency forward contracts are September 2010 and March 2011, respectively.

The Company has adopted the guidance issued by the Financial Accounting Standards Board which established a framework for measuring and disclosing fair value measurements related to financial and non financial assets. There is now a common definition of fair value used and a hierarchy for fair value measurements based on the type of inputs that are used to value the assets or liabilities at fair value.

The levels of the fair value hierarchy are:

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

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

	June 27, 2010 Level 2	June 28, 2009 Level 2	June 29, 2008 Level 2
Foreign currency purchase contracts:			
Notional amount	$ 2,826	$ 110	$ 492
Fair value	2,873	130	499
Net gain	$ (47)	$ (20)	$ (7)
Foreign currency sales contracts:			
Notional amount	1,231	1,121	620
Fair value	1,217	1,167	642
Net gain (loss)	$ 14	$ (46)	$ (22)

The fair values of the foreign exchange forward contracts at the respective year-end dates are based on discounted year-end forward currency rates. The total impact of foreign currency related items that are reported on the line item Other operating (income) expense, net in the Consolidated Statements of Operations, including transactions that were hedged and those unrelated to hedging, was a pre-tax gain of $0.1 million for the fiscal year ended June 27, 2010 and pre-tax losses of $0.4 million and $0.5 million for the fiscal years ended June 28, 2009 and June 29, 2008.

The Company's financial assets include cash and cash equivalents, net receivables, restricted cash, accounts payable, currency forward contracts, and notes payable. The cash and cash equivalents, receivables, net, restricted cash, and accounts payable approximate fair value due to their short maturities. The Company calculates the fair value of its 2014 notes based on the traded price of the 2014 notes on the latest trade date prior to its period end. These are considered Level 1 inputs in the fair value hierarchy.

The carrying values and approximate fair values of the Company's financial assets and liabilities excluding the currency forward contracts discussed above as of June 27, 2010 and June 28, 2009 were as follows (amounts in thousands):

	June 27, 2010		June 28, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	$ 42,691	$ 42,691	$ 42,659	$ 42,659
Receivables, net	91,243	91,243	77,810	77,810
Restricted cash	—	—	6,930	6,930
Liabilities:				
Accounts payable	40,662	40,662	26,050	26,050
Notes payable	178,722	184,084	179,222	112,910

The Company measures certain assets at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. These include assets held for sale, long-lived assets, goodwill, intangible assets, and investments in unconsolidated affiliates. The fair values of these assets were determined based on valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow projections.

Impairment charges were recognized for certain assets measured at fair value, on a non-recurring basis as the decline in their respective fair values below their cost was determined to be other than temporary in all instances. During fiscal years 2010, 2009, and 2008, the Company recorded impairment charges of $0.1 million, $20.4 million, and $13.8 million, respectively, for the write down of long-lived assets, goodwill, and the write down of investment in unconsolidated affiliates. The valuation techniques used to determine the fair values for these assets are considered Level 3 inputs in the fair value hierarchy. See "Footnote 8-Impairment Charges" for further discussion of the evaluation performed of these assets.

12. Commitments and Contingencies

At the end of fiscal year 2010, the Company had purchase obligations for the purchase of two extrusion lines and for the construction of a recycled polyester chip facility located in Yadkinville, North Carolina. The Company will purchase machinery and equipment for the recycling of post consumer flake and post industrial waste fiber and fabrics to be installed in a new facility. As of June 27, 2010, the Company had made a deposit of $1.2 million for the first down payment on the extruders. The Company is obligated to make three additional payments upon the completion of the installation of the machinery totaling $2.8 million. The delivery date for the equipment is scheduled for December 2010 with production beginning in February 2011. The Company is also committed to spend $1.5 million for the construction of the new facility. The completion date is scheduled by December 2010. Related to the building of the facility, if the Company terminates the construction of the building without cause, the Company is obligated to pay the total of costs incurred by the contractor at such time along with an additional surcharge.

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located at Kinston from INVISTA S.a.r.l. ("INVISTA"). The land for the Kinston site was leased pursuant to a 99 year ground lease ("Ground Lease") with DuPont. Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency ("EPA") and the North Carolina Department of Environment and Natural Resources ("DENR") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont. This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site. However, the Company continues to own a satellite service facility acquired in the

INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company has no basis to determine if and when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

The Company is aware of certain claims and potential claims against it for the alleged use of non-compliant "Berry Amendment" nylon POY in yarns that the Company sold which may have ultimately been used to manufacture certain U.S. military garments (the "Military Claims"). As of June 27, 2010 the Company recorded an accrual for the Military Claims of which one was settled for $0.2 million on July 19, 2010.

13. Related Party Transactions

In fiscal year 2007, the Company purchased the polyester and nylon texturing operations of Dillon (the "Transaction"). In connection with the Transaction the Company and Dillon entered into the Agreement for a term of two years from January 1, 2007, pursuant to which the Company agreed to pay Dillon an aggregate amount of $6 million in exchange for certain sales and transitional services to be provided by Dillon's sales staff and executive management, of which $0.5 million and $1.1 million was expensed in fiscal years 2009 and 2008, respectively. The remaining $2.9 million contract costs were treated as an assumed purchase liability, since after the closure of the Dillon facility these costs no longer related to the generation of revenue and had no future economic benefit to the combined business. In addition during fiscal years 2010, 2009, and 2008, the Company recorded sales to and commission income from Dillon in the aggregate amount of $71 thousand, $51 thousand, and $62 thousand, has purchased products from Dillon in an aggregate amount of $3.2 million, $2.8 million, and $2.3 million and paid to Dillon, for certain employee and other expense reimbursements, an aggregate amount of $0.2 million, $0.2 million, and $0.5 million, respectively. As of June 27, 2010 and June 28, 2009, the Company had $21 thousand and $1 thousand, respectively, of outstanding Dillon customer receivables. Further in connection with the Transaction, Dillon guaranteed up to $1 million of the Company's receivable from New River Industries, Inc. ("New River"). During fiscal year 2008, New River declared bankruptcy. Pursuant to this guarantee, during fiscal year 2008, the Company received $1 million from Dillon to settle the receivable.

In December 2008 and 2009, the Company and Dillon extended the polyester services portion of the Agreement twice, each for a term of one year. As a result, the Company recorded $1.5 million and $1.4 million of SG&A expense for fiscal year 2010 and fiscal year 2009, respectively, related to this contract and the related amendments. Mr. Stephen Wener is the President and Chief Executive Officer of Dillon. Mr. Wener has been a member of the Company's Board since May 24, 2007. The terms of the Company's Agreement with Dillon are, in management's opinion, no less favorable than the Company would have been able to negotiate with an independent third party for similar services.

As of June 27, 2010 and June 28, 2009, the Company had outstanding payables to Dillon in the amounts of $0.5 million and $0.3 million, respectively.

In fiscal year 2008, Unifi Manufacturing, Inc. ("UMI"), a wholly-owned subsidiary of the Company, sold certain real and personal property held by UMI located in Dillon, South Carolina, to 1019 Realty LLC (the "Buyer") at a sales price of $4 million. The real and personal property sold by UMI was acquired by the Company pursuant to the Transaction. Mr. Wener is a manager of the Buyer and has a 13.5% ownership interest in and is the sole manager of an entity which owns 50% of the Buyer.

Mr. Wener is an Executive Vice President of American Drawtech Company, Inc. ("ADC") and beneficially owns a 12.5% equity interest in ADC. During fiscal years 2010, 2009, and 2008, the Company recorded sales to and commission income from ADC in the aggregate amount of $2 million, $2.2 million, and $2.4 million and paid expenses to ADC of $53 thousand, $15 thousand, and $17 thousand, respectively. The sales terms, in management's opinion, are comparable to terms that the Company would have been able to negotiate with an independent third party. As of June 27, 2010 and June 28, 2009, the Company had $0.2 million for both periods of outstanding ADC customer receivables.

During fiscal year 2009, Mr. Wener was a director of Titan Textile Canada, Inc. ("Titan") and beneficially owned a 12.5% equity interest in Titan. During fiscal years 2010, 2009, and 2008, the Company recorded sales to Titan in the amount of nil, $0.7 million, and $2.3 million, respectively. As of June 27, 2010 and June 28, 2009, the Company had no outstanding Titan customer receivables. As of February 24, 2009, Mr. Wener resigned as director and sold his equity interest in Titan.

Mr. Kenneth G. Langone, a member of the Company's Board, is a director, stockholder, and Chairman of the Board of Salem Holding Company. In fiscal years 2010, 2009, and 2008, the Company paid Salem Leasing Corporation, a wholly-owned subsidiary of Salem Holding Company, $3.0 million, $3.3 million, and $3.4 million, respectively, in connection with leases of tractors and trailers, and for related services. The terms of the Company's leases with Salem Leasing Corporation are, in management's opinion, no less favorable than the Company would have been able to negotiate with an independent third party for similar equipment and services. As of June 27, 2010 and June 28, 2009, the Company had outstanding payables to Salem Leasing Corporation in the amounts of $0.4 million and $0.2 million, respectively.

On November 25, 2009, the Company entered into a stock purchase agreement with Invemed Catalyst Fund L.P. (the "Fund"). Pursuant to the stock purchase agreement, the Company agreed to purchase 628,333 shares of its common stock from the Fund for an aggregate purchase price of $5 million. The Company and the Fund negotiated the per share purchase price of $7.95 per share based on an approximately 10% discount to the closing price of the Company's common stock on November 24, 2009. Mr. Kenneth G. Langone is the principal stockholder and CEO of Invemed Securities, Inc., which is a managing member of Invemed Catalyst Gen Par, LLC, the general partner of the Fund. Mr. William M. Sams, another member of the Company's Board, is a limited partner of the Fund. Neither Mr. Langone nor Mr. Sams was involved in any decisions by the board of directors of the Company or any committee thereof with respect to this stock purchase transaction.

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

14. Quarterly Results (Unaudited)

Quarterly financial data for the fiscal years ended June 27, 2010 and June 28, 2009 is presented below (amounts in thousands, except per share data):

	First Quarter (13 weeks)	Second Quarter (13 weeks)	Third Quarter (13 weeks)	Fourth Quarter (13 weeks)
		(Amounts in thousands, except per share data)		
2010:				
Net sales	$ 142,851	$ 142,255	$ 154,687	$ 176,960
Gross profit	19,406	17,336	16,510	18,248
Net income	2,489	1,953	771	5,472
Per Share of Common Stock (basic and diluted):				
Net income — basic (1)	$ .12	$ .10	$ .04	$ .27
Net income — diluted (1)	$ .12	$ .09	$ .04	$ .27

	First Quarter (13 weeks)	Second Quarter (13 weeks)	Third Quarter (13 weeks)	Fourth Quarter (13 weeks)
2009:				
Net sales	$ 169,009	$ 125,727	$ 119,094	$ 139,833
Gross profit	13,425	2,312	372	12,397
Income (loss) from discontinued operations, net of tax	(104)	216	(45)	(2)
Net loss	(676)	(9,068)	(32,996)	(6,256)
Per Share of Common Stock (basic and diluted):				
Net loss — basic (1)	$ (.03)	$ (.44)	$ (1.60)	$ (.30)

	First Quarter (13 weeks)	Second Quarter (13 weeks)	Third Quarter (13 weeks)	Fourth Quarter (13 weeks)
Net income (loss) (1)	$ (.03)	$ (.44)	$ (1.60)	$ (.30)

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

During fiscal year 2010, the Company experienced improvements in gross profits primarily as a result of higher sales volumes from share gains and market improvements. During the third quarter of fiscal year 2010, the Company recorded a gain of $1.4 million from the sale of nitrogen credits. During the second quarter of fiscal year 2009, the Company recorded $1.5 million of impairment charges related to the sale of its interest in YUFI to YCFC. In addition, in the third quarter of fiscal year 2009, the Company recorded $18.6 million in goodwill impairment charges which related to its Dillon acquisition.

15. Business Segments, Foreign Operations and Concentrations of Credit Risk

The Company and its subsidiaries are a diversified producer and processor of multi-filament polyester and nylon yarns, with production facilities located in the Americas. The Company's product offerings include specialty and PVA yarns with enhanced performance characteristics. The Company sells its products to other yarn manufacturers, knitters and weavers that produce fabric for the apparel, hosiery, furnishings, automotive, industrial and other end-use markets with sales domestically and internationally. The Company maintains one of the industry's most comprehensive product offerings and emphasizes quality, style and performance in all of its products. The Company also maintains investments in several minority-owned and jointly owned affiliates.

Segmented financial information of the polyester and nylon operating segments, as regularly reported to management for the purpose of assessing performance and allocating resources, is detailed below.

	Polyester	Nylon	Total
		(Amounts in thousands)	
Fiscal year 2010:			
Net sales to external customers	$452,674	$164,079	$616,753
Depreciation and amortization	22,730	3,477	26,207
Restructuring charges	739	—	739
Write down of long-lived assets	100	—	100
Stock-based/deferred compensation	1,972	583	2,555
Segment operating profit	13,619	10,859	24,478
Capital expenditures	12,022	825	12,847
Total assets	322,241	81,081	403,322

	Polyester	Nylon	Total
		(Amounts in thousands)	
Fiscal year 2009:			
Net sales to external customers	$403,124	$150,539	$553,663
Inter-segment net sales	—	81	81
Depreciation and amortization	24,324	6,859	31,183
Restructuring charges	199	73	272
Write down of long-lived assets	350	—	350
Goodwill impairment	18,580	—	18,580
Stock-based/deferred compensation	1,267	323	1,590
Segment operating profit (loss)	(33,178)	3,360	(29,818)
Capital expenditures	13,424	664	14,088
Total assets	314,551	75,023	389,574

	Polyester	Nylon (Amounts in thousands)	Total
Fiscal year 2008:			
Net sales to external customers	$530,567	$182,779	$713,346
Inter-segment net sales	7,103	2,911	10,014
Depreciation and amortization	27,223	13,155	40,378
Restructuring charges	3,818	209	4,027
Write down of long-lived assets	2,780	—	2,780
Stock-based/deferred compensation	882	133	1,015
Segment operating profit (loss)	(10,846)	7,049	(3,797)
Capital expenditures	11,683	585	12,268
Total assets	387,272	92,455	479,727

For purposes of internal management reporting, segment operating profit (loss) represents segment net sales less cost of sales, segment restructuring charges, segment impairments of long-lived assets, goodwill impairment, and allocated selling, general and administrative expenses. Certain non-segment manufacturing and unallocated selling, general and administrative costs are allocated to the operating segments based on activity drivers relevant to the respective costs. This allocation methodology is updated as part of the annual budgeting process. In fiscal year 2008, consolidated intersegment sales were recorded at market. Beginning in fiscal year 2009, the Company changed its domestic intersegment transfer pricing of inventory from a market value approach to a cost approach. Using the new methodology, no intersegment sales are recorded for domestic transfers of inventory. The remaining intersegment sales relate to sales to the Company's foreign subsidiaries which are still recorded at market.

Domestic operating divisions' fiber costs are valued on a standard cost basis, which approximates first-in, first-out accounting. Segment operating income (loss) excludes the provision for bad debts of $0.1 million, $2.4 million, and $0.2 million for fiscal years 2010, 2009, and 2008, respectively. For significant capital projects, capitalization is delayed for management segment reporting until the facility is substantially complete. However, for consolidated financial reporting, assets are capitalized into construction in progress as costs are incurred or carried as unallocated corporate PP&E if they have been placed in service but have not as yet been moved for management segment reporting.

The net increase of $7.7 million in the polyester segment total assets between fiscal year end 2009 and 2010 primarily reflects increases in inventory of $18.7 million, accounts receivable of $6 million, deferred taxes of $0.4 million and other current assets of $0.4 million offset by decreases in restricted cash of $6.9 million, PP&E of $6.1 million, other assets of $3.5 million, and cash of $1.3 million. The net increase of $6.1 million in the nylon segment total assets between fiscal year end 2009 and 2010 is primarily a result of an increase in accounts receivable of $5 million, inventory of $2.9 million, and cash of $0.3 million offset by a decrease in PP&E of $2.1 million.

The net decrease of $72.7 million in the polyester segment total assets between fiscal year end 2008 and 2009 primarily reflects decreases in inventory of $26.1 million, goodwill of $18.6 million, accounts receivable of $17.1 million, PP&E of $11.0 million, restricted cash of $10.1 million, other current assets of $2.2 million, other assets of $1.7 million, and deferred taxes of $1.1 million offset by an increase in cash of $15.2 million. The net decrease of $17.4 million in the nylon segment total assets between fiscal year end 2008 and 2009 is primarily a result of a decrease in inventory of $7 million, accounts receivable of $6.1 million, PP&E of $5.7 million, and other current assets of $0.1 million offset by an increase in other assets of $0.9 million and cash of $0.6 million.

The following tables present reconciliations from segment data to consolidated reporting data:

	Fiscal Years Ended June 27, 2010	June 28, 2009 (Amounts in thousands)	June 29, 2008
Depreciation and amortization:			
Depreciation and amortization of specific reportable segment assets	$ 26,207	$ 31,183	$ 40,378
Depreciation included in other operating (income) expense	105	143	38
Amortization included in interest expense, net	1,104	1,147	1,158
Consolidated depreciation and amortization	$ 27,416	$ 32,473	$ 41,574
Operating income (loss):			
Reportable segments income (loss)	$ 24,478	$ (29,818)	$ (3,797)
Restructuring charges	—	(181)	—
Provision for bad debts	123	2,414	214
Other operating (income) expense, net	(1,033)	(5,491)	(6,427)
Interest income	(3,125)	(2,933)	(2,910)
Interest expense	21,889	23,152	26,056
Gain on extinguishment of debt	(54)	(251)	—
Equity in earnings of unconsolidated affiliates	(11,693)	(3,251)	(1,402)
Write down of investment in unconsolidated affiliates	—	1,483	10,998
Income (loss) from continuing operations before income taxes	$ 18,371	$ (44,760)	$ (30,326)

	Fiscal Years Ended June 27, 2010	June 28, 2009 (Amounts in thousands)	June 29, 2008
Total assets:			
Reportable segments total assets	$ 403,322	$ 389,574	$ 479,727
Corporate current assets	12,473	10,096	22,717
Unallocated corporate PP&E	10,282	11,388	11,796
Other non-current corporate assets	7,200	8,147	9,342
Investments in unconsolidated affiliates	73,543	60,051	70,562
Inter-segment eliminations	(2,355)	(2,324)	(2,613)
Consolidated assets	$ 504,465	$ 476,932	$ 591,531

The difference between total capital expenditures for long-lived assets and the segment total relates to corporate projects. For fiscal years 2010, 2009, and 2008, corporate capital expenditures for long-lived assets totaled $0.3 million, $1.2 million, and $0.5 million, respectively.

The Company's operations serve customers principally located in the U.S. as well as international customers located primarily in Canada, Mexico, Israel, and China and various countries in Europe, Central America, and South America. Export sales from its U.S. operations aggregated $94.3 million in fiscal year 2010, $81 million in fiscal year 2009, and $112 million in fiscal year 2008. In fiscal years 2010, 2009, and 2008, the Company had net sales of $60.2 million, $58.2 million, and $77.3 million, respectively, to one customer which was 9.8% of consolidated net sales. Most of the Company's sales to this customer were related to its domestic nylon operation. The concentration of credit risk for the Company with respect to trade receivables is mitigated due to the large number of customers and dispersion across different end-uses and geographic regions.

The Company's foreign operations primarily consist of manufacturing operations in Brazil, El Salvador and Colombia and a sales and marketing office in China. Net sales and total long-lived assets of the Company's continuing foreign and domestic operations are as follows:

	Fiscal Years Ended		
	June 27, 2010	June 28, 2009	June 29, 2008
		(Amounts in thousands)	
Domestic operations:			
Net sales	$458,327	$434,015	$581,400
Total long-lived assets	204,967	209,117	240,547
Brazil operations:			
Net sales	$130,199	$113,458	$128,531
Total long-lived assets	22,731	22,454	36,301
Other foreign operations:			
Net sales	$ 28,227	$ 6,190	$ 3,415
Total long-lived assets	9,949	3,110	9,820

On January 11, 2010, the Company announced that it created UCA located in El Salvador. As of June 27, 2010, UCA had $1.6 million in long lived assets and $5.7 million in sales. In December 2008, the Company created UTSC, a wholly-owned Chinese sales and marketing subsidiary. UTSC had sales of $18.4 million and $3 million, respectively, for fiscal years 2010 and 2009. In addition, one of the Company's other foreign subsidiaries invested in two new joint ventures totaling $4.8 million during fiscal year 2010. See "Footnote 2-Investments in Unconsolidated Affiliates" for further discussion of these new investments.

16. Subsequent Events

On June 30, 2010, the Company redeemed $15 million of the 2014 notes at a price of 105.75%. As a result, the Company will record a $1.1 million charge for the early extinguishment of debt in the September 2010 quarter which consists of $0.8 million in redemption premium costs and $0.3 million in non-cash charges related to the origination cost of the notes.

On September 9, 2010, the Company and the Subsidiary Guarantors (as co-borrowers) entered into the First Amended Credit Agreement. See "Footnote 3 — Long-term Debt and Other Liabilities".

16A. Subsequent Events

On October 27, 2010, the shareholders of the Company approved a reverse stock split of the Company's common stock (the "reverse stock split") at a reverse stock split ratio of 1-for-3. The reverse stock split became effective November 3, 2010 pursuant to a Certificate of Amendment to the Company's Restated Certificate of Incorporation filed with the Secretary of State of New York. The Company had 20,059,544 shares of common stock issued and outstanding immediately following the completion of the reverse stock split. The Company is authorized in its Restated Certificate of Incorporation to issue up to a total of 500,000,000 shares of common stock at a $.10 par value per share which was unchanged by the amendment. The reverse stock split did not affect the registration of the common stock under the Securities Exchange Act of 1934, as amended or the listing of the common stock on the New York Stock Exchange under the symbol "UFI", although the post-split shares are considered a new listing with a new CUSIP number. In the Consolidated Balance Sheets, the line item Shareholders' equity has been retroactively adjusted to reflect the reverse stock split for all periods presented by reducing the line item Common stock and increasing the line item Capital in excess of par value, with no change to Shareholders' equity in the aggregate. All share and per share computations as well as the related stock compensation disclosures have been retroactively adjusted for all periods presented to reflect the decrease in shares as a result of this transaction except as otherwise noted.

On December 28, 2010, the Company announced that it had commenced a tender offer to purchase for cash any or all of its 11.5% 2014 notes upon the terms and subject to the conditions set forth in the offer documents. In connection with the tender offer, and on the terms and subject to the conditions set forth in the offer documents, the Company is soliciting consents of holders of the 2014 notes to authorize the elimination of most of the restrictive covenants and certain of the events of default contained in the indenture governing the 2014 notes and the release of the security for the 2014 notes. The consent payment deadline is January 11, 2011 and the tender offer is scheduled to expire on January 26, 2011. The total cash consideration for each $1,000 principal amount of the notes tendered at or before the consent payment deadline will be $1,060, which includes a payment of $30 per $1,000 principal amount of the notes payable only in respect of the notes tendered with consents at or before the consent payment deadline. Holders tendering notes after the consent payment deadline but at or before the expiration of the tender offer will be eligible to receive only the tender offer consideration of $1,030 per $1,000 principal amount of the notes. The tender offer is conditioned on, among other things, successful receipt of proceeds of at least $140.0 million from a debt financing on terms satisfactory to the Company. The Company has the option, but is not obligated, to redeem any notes that remain outstanding after the completion of the tender offer at a redemption price of 105.75% of the principal amount.

17. Condensed Consolidating Financial Statements

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

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

Balance Sheet Information as of June 27, 2010 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 9,938	$ 1,832	$ 30,921	$ —	$ 42,691
Receivables, net	—	67,979	23,264	—	91,243
Intercompany accounts receivable	221,670	(209,991)	720	(12,399)	—
Inventories	—	69,930	41,077	—	111,007
Deferred income taxes	—	—	1,623	—	1,623
Other current assets	79	1,052	4,988	—	6,119
Total current assets	231,687	(69,198)	102,593	(12,399)	252,683
Property, plant and equipment	11,348	643,930	92,579	—	747,857
Less accumulated depreciation	(2,185)	(523,771)	(70,402)	—	(596,358)
	9,163	120,159	22,177	—	151,499
Intangible assets, net	—	14,135	—	—	14,135
Investments in unconsolidated affiliates	—	65,446	8,097	—	73,543
Investments in consolidated subsidiaries	407,605	—	—	(407,605)	—
Other non-current assets	7,200	2,999	7,446	(5,040)	12,605
	$ 655,655	$ 133,541	$ 140,313	$ (425,044)	$ 504,465
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 218	$ 33,158	$ 7,286	$ —	$ 40,662
Intercompany accounts payable	214,087	(213,457)	11,769	(12,399)	—
Accrued expenses	2,732	15,699	3,294	—	21,725
Income taxes payable	—	(44)	549	—	505
Notes payable	15,000	—	—	—	15,000
Current maturities of long-term debt and other liabilities	—	327	—	—	327
Total current liabilities	232,037	(164,317)	22,898	(12,399)	78,219
Notes payable	163,722	—	—	—	163,722
Long-term debt and other liabilities	—	2,531	5,040	(5,040)	2,531
Deferred income taxes	—	—	97	—	97
Shareholders'/ invested equity	259,896	295,327	112,278	(407,605)	259,896
	$ 655,655	$ 133,541	$ 140,313	$ (425,044)	$ 504,465

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

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11,509	$ (813)	$ 31,963	$ —	$ 42,659
Receivables, net	100	56,031	21,679	—	77,810
Inventories	—	63,919	25,746	—	89,665
Deferred income taxes	—	—	1,223	—	1,223
Assets held for sale	—	1,350	—	—	1,350
Restricted cash	—	—	6,477	—	6,477
Other current assets	46	2,199	3,219	—	5,464
Total current assets	11,655	122,686	90,307		224,648
Property, plant and equipment	11,336	665,724	67,193	—	744,253
Less accumulated depreciation	(1,899)	(534,297)	(47,414)	—	(583,610)
	9,437	131,427	19,779	—	160,643
Restricted cash	—	—	453	—	453
Intangible assets, net	—	17,603	—	—	17,603
Investments in unconsolidated affiliates	—	57,107	2,944	—	60,051
Investments in consolidated subsidiaries	360,897	—	—	(360,897)	—
Other non-current assets	45,041	(29,214)	(2,293)	—	13,534
	$ 427,030	$ 299,609	$ 111,190	$ (360,897)	$ 476,932
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 37	$ 19,888	$ 6,125	$ —	$ 26,050
Accrued expenses	1,690	11,033	2,546	—	15,269
Income taxes payable	—	—	676	—	676
Current maturities of long-term debt and other liabilities	—	368	6,477	—	6,845
Total current liabilities	1,727	31,289	15,824	—	48,840
Notes payable	179,222	—	—	—	179,222
Other long-term debt and other liabilities	1,112	1,920	453	—	3,485
Deferred income taxes	—	—	416	—	416
Shareholders'/ invested equity	244,969	266,400	94,497	(360,897)	244,969
	$ 427,030	$ 299,609	$ 111,190	$ (360,897)	$ 476,932

Statement of Operations Information for the Fiscal Year Ended June 27, 2010 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 458,327	$ 159,280	$ (854)	$ 616,753
Cost of sales	—	417,160	129,180	(1,087)	545,253
Restructuring charges	—	739	—	—	739
Write down of long-lived assets	—	100	—	—	100
Equity in subsidiaries	(11,003)	—	—	11,003	—
Selling, general and administrative expenses	(16)	36,441	9,812	(54)	46,183
Provision (benefit) for bad debts	—	193	(70)	—	123
Other operating (income) expense, net	(22,341)	20,591	(526)	1,243	(1,033)
Non-operating (income) expenses:					
Interest income	(41)	(198)	(2,886)	—	(3,125)
Interest expense	21,996	(238)	131	—	21,889
Gain on extinguishment of debt	(54)	—	—	—	(54)
Equity in (earnings) losses of unconsolidated affiliates	—	(11,605)	(802)	714	(11,693)
Income (loss) from continuing operations before income taxes	11,459	(4,856)	24,441	(12,673)	18,371
Provision (benefit) for income taxes	774	(32)	6,944	—	7,686
Net income (loss)	$ 10,685	$ (4,824)	$ 17,497	$ (12,673)	$ 10,685

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Statement of Operations Information for the Fiscal Year Ended June 28, 2009 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 434,014	$ 120,218	$ (569)	$ 553,663
Cost of sales	—	421,122	104,478	(443)	525,157
Restructuring charges, net	—	91	—	—	91
Write down of long-lived assets	—	350	—	—	350
Equity in subsidiaries	49,379	—	—	(49,379)	—
Goodwill impairment	—	18,580	—	—	18,580
Selling, general and administrative expenses	216	32,048	7,014	(156)	39,122
Provision (benefit) for bad debts	—	2,599	(185)	—	2,414
Other operating (income) expense, net	(23,286)	18,097	(127)	(175)	(5,491)
Non-operating (income) expenses:					
Interest income	(161)	(48)	(2,724)	—	(2,933)
Interest expense	23,099	110	(57)	—	23,152
Gain on extinguishment of debt	(251)	—	—	—	(251)
Equity in (earnings) losses of unconsolidated affiliates	—	(4,725)	1,668	(194)	(3,251)
Write down of investment in unconsolidated affiliates	—	483	1,000	—	1,483
Income (loss) from continuing operations before income taxes	(48,996)	(54,693)	9,151	49,778	(44,760)
Provision for income taxes	—	3	4,298	—	4,301
Income (loss) from continuing operations	(48,996)	(54,696)	4,853	49,778	(49,061)
Income from discontinued operations, net of tax	—	—	65	—	65
Net income (loss)	$ (48,996)	$ (54,696)	$ 4,918	$ 49,778	$ (48,996)

Statement of Operations Information for the Fiscal Year Ended June 29, 2008 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Summary of Operations:					
Net sales	$ —	$ 581,400	$ 133,919	$ (1,973)	$ 713,346
Cost of sales	—	546,412	118,232	(1,880)	662,764
Restructuring charges, net	—	4,027	—	—	4,027
Equity in subsidiaries	7,450	—	—	(7,450)	—
Write down of long-lived assets	—	2,247	533	—	2,780
Selling, general and administrative expenses	—	40,443	7,597	(468)	47,572
Provision (benefit) for bad debts	—	327	(113)	—	214
Other operating (income) expense, net	(26,398)	19,560	636	(225)	(6,427)
Non-operating (income) expenses:					
Interest income	(740)	(160)	(2,010)	—	(2,910)
Interest expense	25,362	571	123	—	26,056
Equity in (earnings) losses of unconsolidated affiliates	—	(9,660)	8,203	55	(1,402)
Write down of investment in unconsolidated affiliates	—	4,505	6,493	—	10,998
Income (loss) from continuing operations before income taxes	(5,674)	(26,872)	(5,775)	7,995	(30,326)
Provision (benefit) for income taxes	10,477	(24,577)	3,151	—	(10,949)
Income (loss) from continuing operations	(16,151)	(2,295)	(8,926)	7,995	(19,377)
Income from discontinued operations, net of tax	—	—	3,226	—	3,226
Net income (loss)	$ (16,151)	$ (2,295)	$ (5,700)	$ 7,995	$ (16,151)

Statements of Cash Flows Information for the Fiscal Year Ended June 27, 2010 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by continuing operating activities	$ 4,039	$ 4,534	$ 11,981	$ 27	$ 20,581
Investing activities:					
Capital expenditures	(12)	(9,268)	(5,049)	1,217	(13,112)
Acquisitions	—	—	(4,800)	—	(4,800)
Proceeds from sale of capital assets	—	2,588	373	(1,244)	1,717
Change in restricted cash	—	—	7,508	—	7,508
Split dollar life insurance premiums	(168)	—	—	—	(168)
Other	—	—	(70)	—	(70)
Net cash used in investing activities	(180)	(6,680)	(2,038)	(27)	(8,925)
Financing activities:					
Payments of notes payable	(435)	—	—	—	(435)
Payments of long-term debt	—	—	(7,508)	—	(7,508)
Borrowings of long-term debt	—	—	—	—	—
Purchase and retirement of Company stock	(4,995)	—	—	—	(4,995)
Cash dividend paid	—	5,158	(5,158)	—	—
Other	—	(368)	—	—	(368)
Net cash used in financing activities	(5,430)	4,790	(12,666)	—	(13,306)
Cash flows of discontinued operations:					
Operating cash flow	—	—	—	—	—
Net cash used in discontinued operations	—	—	—	—	—
Effect of exchange rate changes on cash and cash equivalents	—	—	1,682	—	1,682
Net increase (decrease) in cash and cash equivalents	(1,571)	2,644	(1,041)	—	32
Cash and cash equivalents at beginning of the year	11,509	(812)	31,962	—	42,659
Cash and cash equivalents at end of the year	$ 9,938	$ 1,832	$ 30,921	$ —	$ 42,691

Statements of Cash Flows Information for the Fiscal Year Ended June 28, 2009 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) continuing operating activities	$ 25,478	$ (16,917)	$ 8,399	$ —	$ 16,960
Investing activities:					
Capital expenditures	(68)	(12,417)	(3,524)	750	(15,259)
Acquisitions	—	(500)	—	—	(500)
Proceeds from sale of unconsolidated affiliate	(4,950)	—	13,950	—	9,000
Collection of notes receivable	1	—	—	—	1
Proceeds from sale of capital assets	—	7,704	51	(750)	7,005
Change in restricted cash	—	18,245	7,032	—	25,277
Split dollar life insurance premiums	(219)	—	—	—	(219)
Net cash provided by (used in) investing activities	(5,236)	13,032	17,509	—	25,305
Financing activities:					
Payments of notes payable	(10,253)	—	—	—	(10,253)
Payments of long-term debt	(80,060)	—	(7,032)	—	(87,092)
Borrowings of long-term debt	77,060	—	—	—	77,060
Proceeds from stock option exercises	3,831	—	—	—	3,831
Other	—	(305)	—	—	(305)
Net cash used in financing activities	(9,422)	(305)	(7,032)	—	(16,759)
Cash flows of discontinued operations:					
Operating cash flow	—	—	(341)	—	(341)
Net cash used in discontinued operations	—	—	(341)	—	(341)
Effect of exchange rate changes on cash and cash equivalents	—	—	(2,754)	—	(2,754)
Net increase (decrease) in cash and cash equivalents	10,820	(4,190)	15,781	—	22,411
Cash and cash equivalents at beginning of the year	689	3,378	16,181	—	20,248
Cash and cash equivalents at end of the year	$ 11,509	$ (812)	$ 31,962	$ —	$ 42,659

Statements of Cash Flows Information for the Fiscal Year Ended June 29, 2008 (Amounts in thousands):

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net cash provided by (used in) continuing operating activities	$ 5,997	$ (147)	$ 8,287	$ (464)	$ 13,673
Investing activities:					
Capital expenditures	—	(7,706)	(5,943)	840	(12,809)
Acquisitions	(1,063)	—	—	—	(1,063)
Investment in Unifi do Brazil	9,494	—	(9,494)	—	—
Proceeds from sale of unconsolidated affiliate	1,462	7,288	—	—	8,750
Collection of notes receivable	—	250	—	—	250
Proceeds from sale of capital assets	—	18,339	322	(840)	17,821
Change in restricted cash	—	(14,209)	—	—	(14,209)
Split dollar life insurance premiums	(216)	—	—	—	(216)
Other	1,072	(1,764)	—	607	(85)
Net cash provided by (used in) investing activities	10,749	2,198	(15,115)	607	(1,561)
Financing activities:					
Payments of notes payable	(1,273)	—	—	—	(1,273)
Payments of long-term debt	(180,000)	—	—	—	(180,000)
Borrowings of long-term debt	147,000	—	—	—	147,000
Proceeds from stock option exercises	411	—	—	—	411
Other	(3)	(318)	(823)	—	(1,144)
Net cash provided by (used in) financing activities	(33,865)	(318)	(823)	—	(35,006)
Cash flows of discontinued operations:					
Operating cash flow	—	—	(586)	—	(586)
Net cash used in discontinued operations	—	—	(586)	—	(586)
Effect of exchange rate changes on cash and cash equivalents	—	—	3,840	(143)	3,697
Net increase (decrease) in cash and cash equivalents	(17,119)	1,733	(4,397)	—	(19,783)
Cash and cash equivalents at beginning of the year	17,808	1,645	20,578	—	40,031
Cash and cash equivalents at end of the year	$ 689	$ 3,378	$ 16,181	$ —	$ 20,248

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

The following table summarizes information as of June 27, 2010 regarding the number of shares of common stock that may be issued under the Company's equity compensation plans:

Plan category	(a) Number of shares to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	1,732,408	$ 9.67	1,350,015
Equity compensation plans not approved by shareholders	—	—	—
Total	1,732,408	$ 9.67	1,350,015

On October 29, 2008, the shareholders of the Company approved the 2008 Unifi, Inc. Long-Term Incentive Plan ("2008 Long-Term Incentive Plan"). The 2008 Long-Term Incentive Plan authorized the issuance of up to 2,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including Incentive Stock Options ("ISO"), Non-Qualified Stock Options ("NQSO") and restricted stock, but not more than 1,000,000 shares may be issued as restricted stock. As of June 27, 2010, there were no restricted stock awards issued under this plan. Any option or restricted stock that is forfeited may be reissued under the terms of the plan. The amount forfeited or canceled is included in the number of securities remaining available for future issuance in column (c) in the above table.

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