UNIFI INC
Form DEFA14A
October 01, 2007

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Schedule 14A
(Rule 14A-101)
Information Required In Proxy Statement
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 1)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

UNIFI, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

PAYMENT OF FILING FEE (Check the appropriate box):
þ No fee required
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total Fee Paid:

o Fee paid previously with preliminary materials:

o

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue
Greensboro, North Carolina 27410

October 1, 2007

To The Shareholders Of
Unifi, Inc.

The Annual Meeting of Shareholders of your Company will be held at 9:00 A.M. Eastern Daylight Savings Time on Wednesday, October 24, 2007, at the Company s corporate headquarters at 7201 West Friendly Avenue, Greensboro, North Carolina. The Notice of the Annual Meeting and the Proxy Statement containing detailed information about the business to be transacted at the meeting, as well as a proxy card, are enclosed.

Detailed information relating to the Company s activities and operating performance is contained in its Annual Report on Form 10-K for the fiscal year ended June 24, 2007, which is also enclosed.

You are cordially invited to attend the Annual Meeting of Shareholders in person. We would appreciate your promptly completing, signing, dating and returning the accompanying proxy card in the enclosed postage-paid return envelope so that your shares can be voted in the event you are unable to attend the meeting. Your proxy will be returned to you if you are present at the meeting and so request.

Sincerely,

Stephen Wener
Chairman

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue
Greensboro, North Carolina 27410

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON OCTOBER 24, 2007

To The Shareholders of Unifi, Inc.:

The Annual Meeting of Shareholders of Unifi, Inc. (the Company) will be held at the Company s corporate headquarters at 7201 West Friendly Avenue, Greensboro, North Carolina, on Wednesday, October 24, 2007 at 9:00 A.M. Eastern Daylight Savings Time, for the following purposes:

1. To elect nine (9) directors to serve until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified.

2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors, under the provisions of the Company s By-Laws, has fixed the close of business on September 21, 2007, as the record date for determination of shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders or any adjournment or adjournments thereof. The transfer books of the Company will not be closed.

YOUR VOTE IS IMPORTANT and the Board of Directors would appreciate your promptly completing, signing, dating and returning the accompanying proxy card. A postage-paid return envelope is enclosed for your convenience. A proxy may be revoked by a shareholder at any time before it is exercised.

By Order Of The Board Of Directors:

Charles F. McCoy
Vice President, Secretary and General Counsel

Greensboro, North Carolina
October 1, 2007

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue
Greensboro, North Carolina 27410

PROXY STATEMENT

SOLICITATION OF PROXIES

This solicitation of the enclosed proxy is made by the Board of Directors (the Board) of Unifi, Inc. (the Company) for use at the Annual Meeting of Shareholders to be held Wednesday, October 24, 2007, at 9:00 A.M. Eastern Daylight Savings Time, at the Company s corporate headquarters located at 7201 West Friendly Avenue, Greensboro, North Carolina, or at any adjournment or adjournments thereof (the Annual Meeting). This statement and the form of proxy will first be mailed to the shareholders of the Company entitled to notice of the Annual Meeting (the Shareholders) on or about October 1, 2007.

The expense of this solicitation will be borne by the Company. Solicitations of proxies may be made in person, by mail or by telephone, telegraph or electronic means by directors, officers and regular employees of the Company who will not be specially compensated in such regard. In addition, the Company has retained D. F. King & Company to assist in the solicitation of proxies and will pay such firm a fee estimated not to exceed $8,000 plus reimbursement of expenses. Arrangements will be made with brokers, nominees and fiduciaries to send proxies and proxy materials, at the Company s expense, to their principals.

The Company s common stock (the Common Stock), par value $.10 per share is the only class of stock of the Company. Only Shareholders of record, as of the close of business on September 21, 2007 (the Record Date), will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. As of the Record Date, the Company had outstanding 60,541,800 shares of its Common Stock. Each share of the Common Stock entitles the holder to one vote with respect to each matter coming before the Annual Meeting and all such shares vote as a single class.

All shares represented by valid proxies received pursuant to this solicitation and not revoked before they are exercised will be voted in the manner specified therein. If no specification is made with respect to the matter to be acted upon, the shares represented by the proxies will be voted (i) in favor of electing as directors of the Company the nine (9) nominees for director named in this Proxy Statement, and (ii) in the discretion of the proxy holders on any other matters presented at the Annual Meeting. **If the enclosed form of proxy is executed and returned it may, nevertheless, be revoked at any time before it is voted by written notice to the Secretary of the Company, by submitting a properly signed proxy with a later date or by the Shareholder personally attending and voting his or her shares at the Annual Meeting.**

VOTING OF SHARES

The holders of a majority of the outstanding shares entitled to vote, present in person or represented by proxy at this meeting, will constitute a quorum for the transaction of business. New York law and the Company s By-Laws require the presence of a quorum at annual meetings of shareholders. Abstentions and broker non-votes are counted as present for purposes of determining a quorum.

Each share represented is entitled to one vote on all matters properly brought before the Annual Meeting. Please specify your choice by marking the appropriate box on the enclosed proxy card and signing, dating and returning it. Directors will be elected by a plurality of the votes cast by the Shareholders at a meeting in which a quorum is present.

Therefore, shares not voted and broker non-votes will have no affect on the election of directors.

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INFORMATION RELATING TO PRINCIPAL SECURITY HOLDERS

The following table sets forth information, as of September 1, 2007, with respect to each person known or believed by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock. The nature of beneficial ownership of the shares indicated is set forth in the notes following the table.

Name and Address of Beneficial Owner	*Amount and Nature Beneficially Owned(1)*	*Percent of Class*
Dillon Yarn Corporation 55 East 34th Street Patterson, NJ 07514(2)	5,555,555	9.18%
Dimensional Fund Advisors Inc.(3) 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	4,544,048	7.51%

(1) Beneficial Ownership, for purposes of the table, is determined according to the meaning of applicable securities regulations and based on a review of reports filed with the Securities and Exchange Commission (the SEC) pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

(2) As indicated in its Schedule 13D, filed January 16, 2007, Dillon Yarn Corporation (Dillon), a textile manufacturer and distributor, beneficially owned 8,333,333 shares by virtue of having sole voting and dispositive power over such shares. Subsequent to this filing, 2,777,778 of these shares were sold by Dillon. As a result, Dillon may be deemed to beneficially own 5,555,555 shares by virtue of having sole voting and dispositive power over such shares.

(3) As indicated in its Schedule 13G/A, filed February 9, 2007, Dimensional Fund Advisors Inc., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, may be deemed to beneficially own 4,544,048 shares by virtue of having sole voting and dispositive power over such shares.

ELECTION OF DIRECTORS

General Information

On August 1, 2007, the Company announced that the Board terminated Mr. Brian R. Parke as the Chairman, President and Chief Executive Officer of the Company, effective immediately. Mr. Parke had been President of the Company since 1999, Chief Executive Officer since 2000 and Chairman since 2004. On the same date the Company also announced that Mr. Parke, R. Wiley Bourne, Jr., Charles R. Carter, Sue W. Cole, J.B. Davis and Donald F. Orr each resigned as members of the Board.

William M. Sams and Chiu Cheng Anthony Loo were appointed to the Board, effective April 30, 2007.
Stephen Wener was appointed to the Board, effective May 24, 2007 and became Chairman, effective August 1, 2007. George R. Perkins, Jr. and G. Alfred Webster were appointed to the Board, effective August 8, 2007. William L. Jasper and R. Roger Berrier, Jr. were appointed to the Board of Directors effective September 26, 2007. In addition to the directors standing for re-election at the Annual Meeting, each of Messrs. Berrier, Jasper, Sams, Loo, Wener,

Perkins and Webster must stand for election at the Annual Meeting.

The Board presently is fixed at nine (9) members. All the nominees for election are presently serving as director and have consented to be named in this Proxy Statement and to serve, if elected. Although the Board expects that each of the nominees will be available for election, in the event a vacancy in the slate of nominees is occasioned by death or other unexpected occurrence, it is intended that shares represented by proxies in the accompanying form will be voted for the election of a substitute nominee selected by the person named in the proxy.

Set forth below is the name of each of the nine (9) nominees for election to the Board, together with his age, current principal occupation (which has continued for at least the past five years unless otherwise indicated), the name and principal business of the company by which he is employed, if applicable, the period or periods during which he has served as director, all positions and offices that he holds with the Company and his directorships in other companies with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or companies registered as an investment company under the Investment Company Act of 1940.

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NOMINEES FOR ELECTION AS DIRECTORS

WILLIAM J. ARMFIELD, IV, *(72) Mr. Armfield has been the President of Spotswood Capital, LLC, Greensboro, North Carolina, a private investment company since 1995.* Mr. Armfield was a director and President of Macfield, Inc., a textile company in North Carolina, from 1970 until August 1991, when Macfield, Inc. merged with and into Unifi, Inc. Mr. Armfield was the Vice Chairman and a director of the Company from 1991 to December 1995. Mr. Armfield again became a director of the Company in 2001, and is a member of the Company s Audit Committee (Chair), Corporate Governance and Nominating Committee and Compensation Committee. Mr. Armfield serves as the Audit Committee financial expert.

R. ROGER BERRIER, JR., *(38) Mr. Berrier has been the Executive Vice President of Sales, Marketing and Asian Operations of the Company since September 2007.* Prior to that, he had been the Vice President of Commercial Operations since April 2006 and the Commercial Operations Manager responsible for corporate product development, marketing and brand sales management from April 2004 to April 2006. Mr. Berrier joined the Company in 1991 and has held various management positions within operations, including international operations, machinery technology, research & development and quality control. He has been a director since September 2007.

WILLIAM L. JASPER, *(54) Mr. Jasper has been the Company s President and Chief Executive Officer since September 2007.* He had been the Vice President of Sales since 2006. Prior to that, Mr. Jasper was the General Manager of the Polyester segment, having responsibility for all natural polyester businesses. He joined the Company with the purchase of the Kinston polyester POY assets from INVISTA in September 2004. Prior to joining the Company, he was the Director of INVISTA s Dacron® polyester filament business. Before working at INVISTA, Mr. Jasper held various management positions in operations, technology, sales and business for DuPont since 1980. He has been a director since September 2007.

KENNETH G. LANGONE, *(72) Mr. Langone has been the President and Chief Executive Officer of Invemed Associates, LLC, an investment banking firm, New York, New York, since 1974.* Mr. Langone is also a director of ChoicePoint Inc., The Home Depot, Inc. and YUM! Brands, Inc. Mr. Langone has been a director of the Company since 1969, and is a member of the Company s Corporate Governance and Nominating Committee (Chair).

CHIU CHENG ANTHONY LOO, *(55) Mr. Loo has been the Managing Director of Rio Tinto China and Rio Tinto Asia, subsidiaries of Rio Tinto Plc, a mining company, since July 2004.* Prior to joining Rio Tinto, Mr. Loo was the China General Manager in Shanghai, People s Republic of China, for INVISTA, which was previously known as DuPont Textiles and Interiors, a subsidiary of E.I. du Pont de Nemours and Company, before it was spun off and acquired by Koch Industries. He has been a director of the Company since April 2007, and is a member of the Company s Corporate Governance and Nominating Committee and Compensation Committee.

GEORGE R. PERKINS, JR., *(67) Mr. Perkins is the Chairman of the Board and Chief Executive Officer of Frontier Spinning Mills, Inc., a company that he founded in 1996.* Prior to founding Frontier, Mr. Perkins served from 1993 to 1996 as President of the spun yarns division of the Company and was a member of the Board. Mr. Perkins has also served as a director of First Bancorp since 1996. He has currently been a director of the Company since August 2007, and is a member of the Company s Audit Committee and Compensation Committee.

WILLIAM M. SAMS, *(70) Mr. Sams was the President and Chief Investment Officer of FPA Paramount Fund, Inc., as well as the Executive Vice President of both First Pacific Advisors, Inc. and FPA Perennial Fund, Inc. from 1981 until he retired in 2000.* Mr. Sams has also served as a director of America s Car-Mart, Inc. since 2005. He has been a director of the Company since April 2007, and is a member of the Company s Corporate Governance and Nominating Committee, Audit Committee and Compensation Committee (Chair).

G. ALFRED WEBSTER, *(59) Mr. Webster was the Executive Vice President of the Company, and had been an officer of the Company from 1979 through his retirement in 2003, and a director from 1986 until October 2004.* Mr. Webster has also served as a director of New Bridge Bank Corporation (formerly Lexington State Bank) since 2006. He has currently been a director of the Company since August 2007, and is a member of the Company s Corporate Governance and Nominating Committee and Audit Committee.

STEPHEN WENER, *(63) Mr. Wener has served as the President and Chief Executive Officer of Dillon since 1980.* The Dillon polyester and nylon texturing operations were purchased by the Company on January 1, 2007. He has also been Executive Vice President of American Drawtech Company, Inc. since 1992 and has been a director of New River Industries, Inc. since 1996 and of Titan Textile Canada, Inc. since 1999. He has been a director of the Company

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since May 2007 and served as acting Chief Executive Officer of the Company from August 1, 2007 through September 26, 2007. Since August 1, 2007, Mr. Wener has served as the Chairman of the Board of Directors.

No director has a family relationship as close as first cousin with any other director, nominee for director or executive officer of the Company.

The Board recommends that the Shareholders vote to elect all of the nominees as directors.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy, Principles and Policies

The Company s executive compensation program is designed to attract executives with the requisite skills necessary to support our strategic objectives, to reward executives for the achievement of near-term and long-term goals, and to retain executives by aligning compensation with the longer-term creation of Shareholder value through developing a sustainable business with consistent performance. The Compensation Committee has developed an executive compensation policy that is primarily based upon the practice of pay-for-performance. Therefore the focus of the Compensation Committee and the Company s executive compensation program is to ensure that an appropriate relationship exists between executive pay and the creation of Shareholder value, while at the same time enabling the Company to attract, retain, reward and motivate high caliber employees. The Compensation Committee monitors the results of its executive compensation policy to ensure that compensation payable to executive officers creates proper incentive to enhance Shareholder value, rewards superior performance, and is justified by returns available to Shareholders.

In establishing compensation for the named executive officers (the NEOs) the following are the Compensation Committee s objectives:

- All components of executive compensation should be set so that the Company can continue to attract, retain, reward and motivate talented and experienced executives;

- Ensure executive compensation is aligned with the Company s corporate strategies, business objectives and the long-term interests of the Shareholders;

- Increase the incentive to achieve key strategic and financial performance measures by linking incentive award opportunities to the achievement of performance goals in these areas; and

- Enhance the NEOs incentive to increase the Company s long term value, as well as promote retention of key personnel, by providing a portion of total compensation opportunities for senior management in the form of direct ownership in the Company through stock ownership.

The Compensation Committee reviews all components of the NEOs compensation. It also reviews the components of compensation for all other executive officers. The Compensation Committee also monitors the compensation levels in general for all other senior level employees of the Company. In addition, the Compensation Committee has the discretion to hire compensation and benefits consultants to assist in developing and reviewing overall executive compensation strategies.

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Overview of Compensation Components

The Compensation Committee views executive compensation in four component parts: base salary, annual incentive compensation, long-term incentive compensation and other personal benefits. A brief description of each of these components is provided below, together with a summary of its objectives:

Compensation Element	*Description*	*Objective*
Base Salary	Fixed compensation that is usually increased annually based on performance.	To provide a base level of compensation that fairly accounts for the job and scope of the role being performed. To attract, retain, reward and motivate qualified and experienced executives.
Annual Incentive Compensation	Variable compensation earned based on performance against pre-established annual goals.	To provide incentives for achieving critical annual operating goals which ultimately contributes to long-term return to Shareholders.
Long-Term Incentive Compensation	Variable compensation which is comprised of equity in the Company and participation in a Supplemental Key Employee Retirement Plan. The equity portion of the compensation is at risk because its value will vary with the value of the stock held by the Shareholders. The Supplemental Key Employee Retirement Plan provides additional retirement income beyond what is provided in the Company s standard retirement plan through a pre-set, annual contribution based on actual annual compensation.	To align the economic interests of the executives with the Shareholders by rewarding executives for stock price improvement. To promote retention (through vesting schedules).
Other Benefits and Perquisites	Broad-based benefits provided to all the Company s employees (e.g., health and group term life insurance), a retirement savings plan, and certain perquisites, including club memberships, spousal travel and a car allowance.	To provide a competitive total compensation package to attract and retain key executives.

The annual and long-term incentive portions of the executive s compensation are intended to achieve the Compensation Committee s goal of aligning the executive s interests with those of the Shareholders and with Company performance. These portions of an executive s compensation are placed at risk and are linked to the accomplishment of specific results that are designed to benefit the Shareholders and the Company, both in the long and short term. As a result, during years of excellent performance, the executives are provided the opportunity to earn a higher level of compensation and, conversely, in years of below average performance, their compensation will be limited to their base compensation levels. Finally, the annual and long-term incentive portions of the executive s compensation are designed to achieve the Compensation Committee s goal of attracting and retaining high caliber, experienced executives, through vesting schedules and deferred benefits. The Compensation Committee believes that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the overall objectives of the Company s executive compensation program.

Operation of the Compensation Committee

As described elsewhere in this Proxy Statement, the Compensation Committee is responsible for the administration and overall structure of the Company s executive compensation program. The Compensation Committee was

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composed of four independent directors during fiscal 2007, in accordance with the independence requirements of the New York Stock Exchange Corporate Governance Standards. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of each NEO, evaluates each NEO s performance in light of these goals and objectives, and sets each NEO s compensation level based on this evaluation. The Compensation Committee also advises senior management with respect to the range of compensation to be paid to other employees of the Company, administering and making recommendations to the Board of Directors concerning benefit plans for the Company s directors, officers and employees and recommending benefit programs and future objectives and goals for the Company. For more information on the operation of the Compensation Committee, please refer to Committees of the Board of Directors.

Elements of Compensation

Base Salaries

NEOs base salaries are determined based on the historical practices of the Company, the officer s leadership and advancement of the Company s long term strategy, plans and objectives, individual performance and contribution to the Company s success, budget guidelines and assessment of the Company s financial condition. It is the intent of the Compensation Committee to maintain a close relationship between the Company s performance and the base salary component of the compensation for each NEO. No formula based salary increases were provided to the NEOs during fiscal 2007.

To aid the Compensation Committee in making its determination, the CEO provides recommendations annually to the Compensation Committee regarding the compensation of all NEOs, excluding himself. Each NEO of the Company participates in an annual performance review with the CEO to provide input about their contributions to the Company s success for the period being assessed. The overall performance of each NEO is reviewed annually by the Compensation Committee, which then makes recommendations on the actual base salary for each NEO to the Board of Directors for approval.

For fiscal 2007, Mr. Parke s base salary was $750,000, which remained unchanged from fiscal 2006, as provided by the terms of his employment agreement with the Company described below. Mr. Lowe s base salary was $550,000, which remained unchanged from fiscal 2006, as provided by the terms of his employment agreement with the Company described below. The base salary for the other NEOs were increased to reflect merit-based increases based upon the recommendation of the CEO from fiscal 2006 by approximately 4% for Mr. Caudle, 14.6% for Mr. Jasper, and 4.7% for Mr. Holder and Mr. McCoy.

To retain and motivate key individuals, the Compensation Committee may, in the future, determine that it is in the best interests of the Company to negotiate total compensation packages with the Company s senior executive management that may deviate from the Company s current practices.

Annual Incentive Compensation

The Company structures its annual incentive compensation, in the form of a bonus, to reward its NEOs based on the Company s fiscal year performance. All NEOs are eligible to earn a bonus which is a predetermined percentage of their base salary (called target bonus). These targets are set by the Compensation Committee and are specific to each NEO, and have a minimum (threshold) achievement level. The Compensation Committee established a target of $60 million of annual EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and a working capital target equal to 19.64% for each of the NEOs, other than the CEO and CFO. The CEO s target bonus was based on the Company s achievement of its targeted EBITDA and the Company s Chinese joint venture s achievement of net income of $1.5 million. The CFO s target bonus was based entirely on the Company s achievement of its targeted

EBITDA. The Company s EBITDA is a measure of cash flow generated by the Company s business. The Company s EBITDA represents pre-tax income from continuing operations before net interest expense, depreciation and amortization expense, adjusted to exclude restructuring charges, equity in earnings and losses of unconsolidated affiliates, impairment write-downs, non-cash compensation expense, gains and losses on sales of property, plant and equipment, hedging gains and losses, and certain other special charges as determined by the Company s Compensation Committee. The working capital target is a thirteen (13) month average of the ratio of working capital to net sales, where working capital is defined as accounts receivable plus inventory less accounts payable. The working capital target measures how much of the Company s capital is utilized in these components to run the business. The Compensation Committee uses EBITDA and working capital as measures of Company performance because together they provide a clearer indicator of cash generation. In setting the target EBITDA and working capital for fiscal 2007, the Compensation Committee considered the expected performance of the Company.

The annual incentive bonus awarded to an executive officer, other than the CEO, may be increased or decreased by the Compensation Committee, at the recommendation of the CEO, subject to Board of Directors approval, as a result of the individual s performance and/or contribution to Company achievement of financial objectives. In addition, the annual incentive bonus award to the CEO may be increased or decreased at the sole discretion of the Board of Directors. Each executive s performance, including the CEO, is evaluated against specific financial goals prior to payment of bonus, and the final bonus payment may be adjusted relative to the achievement of those goals. The performance criteria in the annual incentive bonus program may be adjusted by the Board of Directors to account for unusual events, such as extraordinary transactions, asset dispositions and purchases, and merger and acquisitions if, and to the extent, the Board of Directors considers the effect of such events indicative of the Company s performance. Additionally, the Compensation Committee or the Board of Directors has the discretion to award additional bonus compensation even if the executive officer would not be entitled to any bonus based on the targets previously determined.

The target bonus for Mr. Parke was equal to 75% of his fiscal 2007 base salary, up to a maximum of 125% of his fiscal 2007 base salary. The portion of Mr. Parke s bonus based upon the EBITDA target would be adjusted on a pro rata basis upward or downward, such that Mr. Parke would receive a bonus equal to 100% of his base salary if the Company achieved 200% of its targeted EBITDA, 50% of his base salary if the Company achieved its EBITDA target, down to 0 if the Company achieved less than 80% of its EBITDA target. The portion of Mr. Parke s bonus based upon the net income target of the Company s Chinese joint venture would be adjusted on a pro rata basis upward or downward, such that Mr. Parke would receive a bonus equal to 25% of his base salary if the Company s joint venture achieved its net income target down to 0 if the net income of the Company s Chinese joint venture was less than 80% of its target. As a result of the Company s performance during fiscal 2007 Mr. Parke did not merit any annual incentive compensation.

Mr. Lowe s annual incentive compensation for fiscal 2007 was based entirely upon the Company s achievement of the EBITDA target, and his target bonus was set at 50% of his annual base salary, up to a maximum of 100% of his annual base salary. Mr. Lowe s bonus would be adjusted on a pro rata basis upward or downward, such that Mr. Lowe would receive a bonus equal to 100% of his base salary if the Company achieved 200% of its targeted EBITDA, to 50% of his base salary if the Company achieved its EBITDA target, down to 0 if the Company achieved less than 80% of its EBITDA target. As a result of the Company s performance during fiscal 2007 Mr. Lowe did not merit any annual incentive compensation.

The annual incentive compensation for Messrs. Caudle, McCoy, Holder and Jasper was capped at an aggregate maximum of 40% of their respective fiscal 2007 base salaries. In determining each NEO s target bonus, the Company s achievement of its EBITDA target accounted for 75% of their target bonus, and the working capital accounted for 25% of their target bonus. As a result of the Company s performance during fiscal 2007, none of the NEOs merited any incentive compensation. In spite of the fact that the Company did not reach its EBITDA and working capital targets, the Compensation Committee determined, based upon the recommendation of the CEO, to award each of the NEOs, other than the CEO and CFO, a bonus equal to 8% of such NEO s fiscal 2007 base salary. Neither Mr. Parke nor Mr. Lowe received a bonus for fiscal 2007.

The Compensation Committee believes the cash portion of the annual incentive bonus provides the necessary incentives to retain, reward and motivate the executive officers for short-term strong Company performance.

Long-Term Incentive Compensation

Equity Incentives

The Compensation Committee believes that stock-based performance compensation is essential in aligning the interests of management and the Shareholders in enhancing the long-term value of the Company s equity. The 1999 Unifi, Inc. Long-term Incentive Plan (the 1999 Plan) provides for the issuance to the Company s officers and employees of shares of incentive stock options, non-qualified stock options, restricted stock awards and performance-based awards for the Company s common stock. These awards are granted to the Company s executive officers and other employees both to build the value of the Company, and to retain key individuals. Stock options provide incentive for the creation of Shareholder value over the long term since the full benefit of an executive officer s compensation package cannot be realized unless the Common Stock appreciates in value during the term of the option. Unless otherwise provided, options may be exercised until the earlier of ten (10) years from the date of grant or, as to the number of shares then exercisable, upon the termination of employment of the participant other than by death, disability, retirement, or change of control, when all options have vested. Restricted stock is granted from time to time to executive officers, primarily for purposes of retention. Restricted stock is subject to forfeiture and may not be disposed of by the recipient until certain restrictions established by the Compensation Committee have lapsed. Generally the Compensation Committee believes that granting stock options can be an effective tool for meeting the Company s compensation goal of increasing long-term Shareholder value by tying the value of the stock to the Company s performance in the future. Employees are able to profit from stock options only if the Company s stock price increases in value over the stock option s exercise price. Recipients of restricted stock are not required to provide consideration other than the rendering of their services.

In July 2006, the Compensation Committee established a policy providing for the grant of an annual option to the NEOs. The purpose of the annual grant of stock options to the NEOs is to provide the NEOs with additional incentives to remain with the Company. At its July 2006 meeting, the Compensation Committee approved a grant of options to the NEOs. The Compensation Committee based the number of shares which were granted to each NEO, other than the CEO, primarily upon the recommendation of the CEO.

Supplemental Key Employee Retirement Plan

In July 2006, the Company established an unfunded supplemental retirement plan known as the Unifi, Inc. Supplemental Key Employee Retirement Plan (the Plan) for a select group of management employees (including the CEO and the other NEOs). Participants in the Plan are those employees of the Company or its subsidiaries who are determined to be participants in the Plan by the Compensation Committee in its sole and exclusive discretion. The Company established the Plan in order to provide certain management employees additional compensation benefits in order to further incentivize them and to provide better retention opportunities.

The Plan provides for an initial credit to each participant s account equal to three (3) times the product of the participant s base salary for the 2005 calendar year multiplied by the participant s SERP Credit Percentage (81/2% of the annual base salary for executive officers of the Company and 51/2% of the annual base salary for participants who are not officers of the Company). Thereafter, as of the end of each calendar year, each participant s account shall be credited with an amount equal to the product of such participant s base salary for such calendar year multiplied by the participant s applicable SERP Credit Percentage. Each participant s account will be adjusted as if the balance in such account had been invested in the stocks that make up the Standard & Poor s 500 Index in the same proportion as their respective weighting therein. Upon a participant s termination of employment with the Company, the participant shall be entitled to receive the amount credited to such participant s account in a single lump sum payable six months after the participant s termination of employment with the Company, except in the event that the participant s termination is due to death or disability, in which case the participant or the participant s designated beneficiary, as applicable, shall immediately be entitled to such payout.

Perquisites and Other Benefits

Automobile Allowance. The Company provided to certain executive officers an automobile allowance during fiscal 2007. During fiscal 2007, the Company paid its NEOs $12,000 in automobile allowance. The Company also reimbursed its NEOs for certain automobile expenses during fiscal 2007.

Retirement Benefits. In order to provide employees at all levels with greater incentive, the Company makes available to all employees, including its executive officers, with the opportunity to make contributions to the Company s Retirement Savings Plan (401K Plan), under which employees may elect to defer up to 75% of their total compensation, not to exceed the amount allowed by applicable Internal Revenue Service regulations. Pursuant to the 401K Plan the Company matches contributions equal to 100% of the employee s first 3% of compensation contributed to the 401K Plan and 50% of the next 2% of compensation contributed to the 401K Plan.

Health plan, Life Insurance and Other Benefits. The Company makes available health and insurance benefits to all employees, including its executive officers. The cost of the health plans is covered partially through employees payroll deductions, with the remainder covered by the Company. Disability and life insurance benefits are paid by the Company for all salaried employees. The cost of certain golf and social club memberships is covered for NEOs, provided that the club membership provides for a business-use opportunity such as use of the facilities for functions

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and meetings, and client networking and entertainment. On very limited occasions, spousal travel in connection with a business-related event is also a covered expense. This is limited to events sponsored for the purpose of building customer or employee relationships where the travel is for an extended period of time or extends into the personal time of the executive, or it is expected or customary for the executive to be accompanied by a spouse. Other perquisites such as income tax preparation, temporary housing, and moving and relocation costs are provided from time to time.

Employment and Termination Agreements. The Company currently maintains employment agreements with Messrs. Parke and Lowe primarily as a means of retention during periods of uncertainty and operational challenge. As part of the employment contracts the executives also agree to be bound by non-compete and non-disclosure provisions. These agreements include provisions for, among other things:

Minimum compensation levels, benefits, and perquisites;

Non-compete and non-disclosure covenants;

Pursuant to Mr. Parke s employment agreement, effective January 23, 2002, Mr. Parke is employed by the Company as its President and Chief Executive Officer for a rolling three (3) year term which is automatically extended on a day by day basis until such date as either the Company or Mr. Parke shall terminate the automatic extensions by providing proper notice to the other. Under the terms of the agreement, Mr. Parke will receive an annual base salary of at least $750,000, plus any other additional compensation or bonuses in the Board s discretion. In addition, Mr. Parke and his eligible family members are entitled to participate in any benefit plans offered to other senior executives of the Company on terms no less favorable than offered to other executives. If Mr. Parke is terminated for any reason other than for cause, he shall receive his base salary for the remainder of the term of the agreement, immediate vesting of all stock options and restricted stock, continuance of certain medical and life insurance benefits for the remainder of the term, and any other compensation earned and vested. Additionally Mr. Parke is entitled to be reimbursed for relocation costs to move him and his family back to Ireland, which shall be grossed-up for any applicable taxes.

Pursuant to Mr. Lowe s employment agreement, effective July 25, 2006, Mr. Lowe is employed by the Company as its Vice President, Chief Financial Officer and Chief Operating Officer for a rolling three (3) year term which is automatically extended on a day by day basis until such date as either the Company or Mr. Lowe shall terminate the automatic extensions by providing proper notice to the other. Under the terms of the agreement, Mr. Lowe will receive an annual base salary of at least $550,000, plus any other additional compensation or bonuses in the discretion of the Compensation Committee. In addition, Mr. Lowe and his eligible family members are entitled to participate in any benefit plans and other benefits as are offered to other senior executives of the Company on terms no less favorable than offered to such other executives. If Mr. Lowe is terminated for any reason other than for cause, he shall receive his base salary for the remainder of the term of the agreement, immediate vesting of all stock options and restricted stock, continuance of certain medical and life insurance benefits for the remainder of the term, and any other compensation earned and vested.

Additionally, the Company entered into Change of Control agreements with Messrs. Lowe, Caudle, Holder, and McCoy on November 1, 2005, and with Mr. Jasper on July 25, 2006 (each, an Officer). The agreements provide that if an Officer s employment is terminated involuntarily, other than by death or disability or cause, or voluntarily, other than for good reason, after a change of control of the Company, such Officer will receive certain benefits. The present value of those benefits will be 2.99 times the average of such Officer s annual compensation paid during the five (5) calendar years (or the period of such Officer s employment with the Company if such Officer has been employed with the Company for less than five calendar years) preceding the change of control of the Company, subject to being reduced to the largest amount which will result in no portion of the payment being subject to excise taxes under the Internal Revenue Code, all as determined by the Company s independent certified public accountants, whose decision shall be binding upon the Company and such Officer. These benefits will be paid to such Officer in equal installments over a twenty-four (24) month period. To be entitled to payments upon such a change of control, (a) the Officer s employment must be terminated other than for cause, or (b) the Officer must terminate his employment for good reason, in either case within two years following the change of control.

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

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The benefits under these Change of Control Agreements are contingent and therefore not reported under the Summary Compensation Table.

The Company believes that the entry into these agreements was necessary in order to retain the services of its NEOs for the Company, and that the compensation provided under these agreements is appropriate for executives of their caliber and the size of the Company.

Tax Impact on Compensation

The Compensation Committee has considered the impact of Section 162(m) of the Internal Revenue Code on the Company s executive compensation program. Section 162(m) denies a public company a deduction, except in limited circumstances, for compensation paid to covered employees, i.e., those employees named in the Summary Compensation Table below, to the extent such compensation exceeds $1,000,000. Based on its review of the likely impact of Section 162(m), the Compensation Committee may in the future recommend changes to the Company s benefit plans in order to qualify compensation paid to covered employees for such exception.

Subsequent Events

As previously discussed, Mr. Parke s employment as the Chairman, President and Chief Executive Officer of the Company was terminated by the Company on August 1, 2007. On August 22, 2007 the Company announced that in connection with the reorganization of certain corporate staff and manufacturing support functions to reduce costs, Mr. Holder s employment as the Company s Vice President and Chief Information Officer was terminated. On September 26, 2007, the Board of Directors elected Mr. Jasper as the Company s President and Chief Executive Officer and Mr. Berrier as its Executive Vice President of Sales, Marketing and Asian Operations.

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EXECUTIVE OFFICERS AND THEIR COMPENSATION

Summary Compensation Table

The following table sets forth a summary of all compensation awarded or paid to or earned by the Company s NEOs for services rendered in all capacities to the Company (including its subsidiaries) for the fiscal year ended June 24, 2007.

Name And Principal Position (a)	*Year (b)*	*Salary ($) (c)*	*Bonus ($) (d)*	*Stock Awards ($)(1) (e)*	*Option Awards ($)(2) (f)*	*All Other Compensation ($)(3) (i)*	*Total ($) (j)*
Brian R. Parke President, Chief Executive Officer and Chairman of the Board	2007	750,000			510,000	360,950	1,620,950
William M. Lowe, Jr. Vice President, Chief Operating Officer and Chief Financial Officer	2007	550,008		9,240	126,509	235,007	920,764
Thomas H. Caudle, Jr. Vice President, Global Operations	2007	260,004	20,800		82,230	121,187	484,221

