

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
[FEE REQUIRED]

For the fiscal year ended June 30, 1996

Commission File
Number 1-10542

UNIFI, INC.

(Exact name of Registrant as specified in its charter)

New York 11-2165495

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7201 West Friendly Avenue Greensboro, North Carolina 27410

(Address of principal executive offices) (Zip Code)

Registrant's telephone no., including a/c: (910) 294-4410

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange On Which Registered
Common Stock, par value \$.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Aggregate market value of the voting stock held by nonaffiliates of the Registrant as of August 5, 1996, based on a closing price of \$27.50 per share: \$1,683,620,153

Number of shares outstanding as of August 5, 1996: 64,494,523

Documents Incorporated By Reference

Portions of the Annual Report to Shareholders of Unifi, Inc. for the fiscal year ended June 30, 1996, are incorporated by reference into Parts I and II hereof.

Portions of the definitive proxy statement for the Annual Meeting of the Shareholders of Unifi, Inc., to be held on October 24, 1996, are incorporated by reference into Part III.

Exhibits, Financial Statement Schedules and Reports on Form 8-K index is located on pages IV-1 through IV-6.

PART I

Item 1. Business:

Unifi, Inc., a New York corporation formed in 1969, together with its subsidiaries, hereinafter set forth, (the "Company" or "Unifi"), is engaged predominantly in the business of processing yarns by: texturing of synthetic filament polyester and nylon fiber; and spinning of cotton and cotton blend fibers.

The Company's texturing operation mainly involves purchasing partially oriented yarn (POY), which is either raw polyester or nylon filament fiber, from chemical manufacturers and using high speed machines to draw, heat and twist the POY to produce yarns having various physical characteristics, depending upon its ultimate end use. The Company's spinning operation mainly involves the spinning on open-end spindles of cotton, cotton and undyed synthetic blends, and cotton and pre-dyed polyester blends into yarns of different strengths and thickness.

The Company currently sells textured polyester yarns, nylon yarns, dyed yarns, covered yarns, spun yarns made of cotton, cotton and undyed synthetic blends, pre-dyed cotton blends, and cotton and pre-dyed polyester blends domestically and internationally to weavers and knitters who produce fabrics for the apparel, industrial, hosiery, home furnishing, auto upholstery, activewear, and underwear markets.

The Company, internationally, has manufacturing facilities in Letterkenny, County Donegal, Republic of Ireland, which texturizes polyester, as well as producing its own polymer (POY).

SOURCES AND AVAILABILITY OF RAW MATERIALS:

A. POY. The primary suppliers of POY to the Company are E. I. DuPont de Nemours and Company, Hoechst Celanese Corporation, Wellman Industries, Cookson Fibers, Inc., and Nan Ya Plastics Corp. of America with the majority of the Company's POY being supplied by DuPont. Although the Company is heavily dependent upon a limited number of suppliers, the Company has not had and does not anticipate any material difficulty in obtaining its raw POY.

B. Cotton. The Company buys its cotton, which is a commodity and is traded on established markets, from brokers such as Staple Cotton Coop., Dunavant Enterprises, Conti-Cotton, HoHenBerg Brothers Co., Allenberg Cotton Co., and Carolina Cotton Growers. The Company has not had and does not anticipate any material difficulty in obtaining cotton.

PATENTS AND LICENSES: The Company currently has several patents and registered trademarks, none of which it considers material to its business as a whole.

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CUSTOMERS: The Company in fiscal year ended June 30, 1996, sold textured and spun yarns to approximately 1,000 customers, one customer's purchases were approximately 12% of net sales during said period, the ten largest customers accounted for approximately 33% of total net sales and the Company does not believe that it is dependent on any one customer.

BACKLOG: The Company, other than in connection with certain foreign sales and for textured yarns that are package dyed according to customers' specifications, does not manufacture to order. The Company's products can be used in many ways and can be thought of in terms of a commodity subject to the laws of supply and demand and, therefore, does not have what is considered a backlog of orders. In addition, the Company does not consider its products to be seasonal ones.

COMPETITIVE CONDITIONS: The textile industry in which the Company currently operates is keenly competitive. The Company processes and sells high-volume commodity products, pricing is highly competitive with product quality and customer service being essential for differentiating the competitors within the industry. Product quality insures manufacturing efficiencies for the customer. The Company's polyester and nylon yarns, dyed yarns, covered yarns and cotton and cotton blend yarns compete with a number of other domestic producers of such yarns. In the sale of polyester filament yarns major competitors are Atlas Yarn Company, Inc., Burlington Industries, Inc., and Milliken & Company; in the sale of nylon yarns, dyed yarns, and covered yarns major competitors are Jefferson Mills, Inc., Spanco Yarns, Inc., Regal Manufacturing Company, and Spectrum Dyed Yarns, Inc.; and in the sale of cotton and cotton blend yarns major competitors are Parkdale Mills, Inc., Avondale Mills, Inc., Harriett & Henderson, Mayo Yarns, Inc., and TNS Mills, Inc.

RESEARCH AND DEVELOPMENT: The estimated amount spent during each of the last three fiscal years on Company-sponsored and Customer-sponsored research and development activities is considered immaterial.

COMPLIANCE WITH CERTAIN GOVERNMENT REGULATIONS: Management of the Company believes that the operation of the Company's production facilities and the disposal of waste materials are substantially in compliance with applicable laws and regulations.

EMPLOYEES: The number of employees of the Company is approximately 6,700 full-time employees.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC INTERNATIONAL OPERATIONS AND EXPORT SALES: The information included under the heading "Business Segments and Foreign Operations" on Page 23 of the Annual Report of the Company to Shareholders for the fiscal year ended June 30, 1996, is incorporated herein by reference.

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Item 2. Description of Property:
- - - - -

The Company currently maintains a total of 21 manufacturing and warehousing facilities and one central distribution center in North Carolina, one manufacturing and related warehousing facility in Staunton, Virginia, one central distribution center in Fort Payne, Alabama, and one manufacturing and related warehousing facility in Letterkenny, County of Donegal, Republic of Ireland. All of these facilities, which contain approximately 7,922,953 square feet of floor space, are owned in fee and management believes they are in good condition, well maintained, and are suitable and adequate for present production.

The Company leases sales offices and/or apartments in New York City, Coleshill, England, and Lyon, France, and has a

representative office in Tokyo, Japan.

The Company also leases its corporate headquarters building at 7201 West Friendly Avenue, Greensboro, North Carolina, which consists of a building containing approximately 121,125 square feet located on a tract of land containing approximately 8.99 acres. This property is leased from NationsBank, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, and Wachovia Bank & Trust Company, N.A., Independent Trustee. On May 20, 1996, the Company exercised its option to extend the term of the lease on this property for five (5) years, through March 13, 2002. Reference is made to a copy of the lease agreement attached to the Registrant's Annual Report on Form 10-K as Exhibit (10d) for the fiscal year ended June 28, 1987, which is by reference incorporated herein.

The information included under "Leases, Commitments and Concentrations of Credit Risk" on Pages 22 and 23 of the Annual Report of the Company to Shareholders for fiscal year ended June 30, 1996, is incorporated herein by reference.

Item 3. Legal Proceedings:

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The Company is not currently involved in any litigation which is considered material, as that term is used in Item 103 of Regulation S-K.

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

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No matters were submitted to a vote of security holders during the fourth quarter for the fiscal year ended June 30, 1996.

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PART II

Item 5. Market for the Registrant's Common Equity and Related

- -----

Stockholder Matters.

- -----

(a) (c) PRICE RANGE OF COMMON STOCK AND DIVIDENDS PAID.

The information included under the heading "Market and Dividend Information (Unaudited)" on Page 28 of the Annual Report of the Company to Shareholders for the fiscal year ended June 30, 1996, is incorporated herein by reference.

(b) Approximate Number of Equity Security Holders:

Title of Class	Number of Record Holders (as of August 5, 1996)
Common Stock, \$.10 par value	1,206

(c) CASH DIVIDEND POLICY. In April 1990, the Board of Directors of the Company adopted a resolution that it intended to pay a cash dividend in quarterly installments equal to approximately thirty percent (30%) of the earnings after taxes of the Company for the previous year, payable as hereafter declared by the Board of Directors. Prior to this action by the Board of Directors, the Company had since 1978 followed a policy of retaining earnings for working capital, acquisitions, capital expansion and modernization of existing facilities. The Company

paid a quarterly dividend of \$.13 per share on its common stock for each quarter of the 1996 fiscal year. The Board of Directors in July 1996, declared a cash dividend in the amount of \$.11 per share on each issued and outstanding share of the common stock of the Company, payable on August 9, 1996, to shareholders of record at the close of business on August 2, 1996.

Item 6. Selected Financial Data:

The financial data for the five fiscal years included under the heading "Summary of Selected Financial Data" on Page 27 of the Annual Report of the Company to Shareholders for the fiscal year ended June 30, 1996, is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial

Condition and Results of Operations:

The information included under the heading "Management's Review and Analysis of Operations and Financial Position" on Pages 24, 25, and 26 of the Annual Report of the Company to Shareholders for the fiscal year ended June 30, 1996, is incorporated herein by reference.

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Item 8. Financial Statements and Supplementary Data:

The report of independent auditors, consolidated financial statements and notes beginning on Page 13 and ending on Page 23 and the information included under the heading "Quarterly Results (Unaudited)" on Page 27 of the Annual Report of the Company to Shareholders for the fiscal year ended June 30, 1996, are incorporated herein by reference.

Item 9. Change in and Disagreements With Accountants on

Accounting and Financial Disclosure:

The Company has not changed accountants nor are there any disagreements with its accountants, Ernst & Young LLP, on accounting and financial disclosure that should be reported pursuant to Item 304 of Regulation S-K.

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PART III

Item 10. Directors and Executive Officers of Registrant and

Compliance with Section 16(a) of the Exchange Act:

(a) Directors of Registrant: The information included under the headings "Election of Directors", "Nominees for Election as Directors", "Security Holding of Directors, Nominees, and Executive Officers", "Directors' Compensation", and "Committees of the Board of Directors", beginning on Page 2 and ending on Page 5 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 30, 1996, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

(b) Identification of Executive Officers:

Chairman of The Board of Directors

G. Allen Mebane Mr. Mebane is 67 and has been an Executive Officer and member of the Board of Directors of the Company since 1971, and served as President and Chief Executive Officer of the Company, relinquishing these positions in 1980 and 1985, respectively. He was the Chairman of the Board of Directors for many years, Chairman of the Executive Committee from 1974 to 1995, and was elected as one of the three members of the Office of Chairman on August 8, 1991. On October 22, 1992, Mr. Mebane was again elected as Chairman of the Board of Directors.

President and Chief Executive Officer

William T. Kretzer Mr. Kretzer is 50 and served as a Vice President or Executive Vice President from 1971 until 1985. He has been the President and Chief Executive Officer since 1985. He has been a member of the Board of Directors since 1985 and has been Chairman of the Executive Committee since 1995.

Executive Vice Presidents

Jerry W. Eller Mr. Eller is 55 and has been a Vice President or Executive Vice President since 1975. He has been a member of the Board of Directors since 1985 and is a member of the Executive Committee.

Robert A. Ward Mr. Ward is 56 and has been a Vice President or Executive Vice President since 1974. He has been a member of the Board of Directors since its inception in 1971 and is a member of the Executive Committee.

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G. Alfred Webster Mr. Webster is 48 and has been a Vice President or Executive Vice President since 1979. He has been a member of the Board of Directors since 1986 and is a member of the Executive Committee.

Senior Vice Presidents

Kenneth L. Huggins Mr. Huggins is 52, had been an employee of Macfield, Inc., since 1970 and, at the time of the Macfield merger with Unifi, was serving as a Vice President of Macfield, and President of Macfield's Dyed Yarn Division. He was a Director of Macfield from 1989 until August 8, 1991, when Macfield, merged into and with Unifi. He is Senior Vice President and also Assistant to the President.

Raymond W. Maynard Mr. Maynard is 53 and has been a Vice President of the Company since June 27, 1971, and a Senior Vice President since October 22, 1992.

These officers were elected by the Board of Directors of the Registrant at the Annual Meeting of the Board of Directors held on October 19, 1995. Each officer was elected to serve until the next Annual Meeting of the Board of Directors or until his successor was elected and qualified.

(c) Family Relationship: Mr. Mebane, Chairman of the

Board, and Mr. C. Clifford Frazier, Jr., the Secretary of the Registrant, are first cousins. Except for this relationship, there is no family relation between any of the Officers.

(d) Compliance with Section 16(a) of the Exchange Act: Based solely upon the review of the Form 3's and 4's and amendments thereto, furnished to the Company during the most recent fiscal year, no Form 3's or Form 4's were filed late by a director, officer, or beneficial owner of more than ten percent of any class of equity securities of the Company. The Company received written representation from reporting persons that Form 5's were not required.

Item 11. Executive Compensation:

The information set forth under the headings "Compensation and Option Committees Interlocks and Insider Participation in Compensation Decisions", "Executive Officers and Their Compensation", "Employment and Termination Agreements", "Options Granted", "Option Exercises and Option/SAR Values", the "Report of the Compensation and Incentive Stock Option Committees on Executive Compensation", and the "Performance Graph-Shareholder Return on Common Stock", beginning on Page 6 and ending on Page 10 of the Company's definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 30, 1996, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

For additional information regarding executive compensation reference is made to Exhibits (10l), (10m), and (10n) of this Form 10-K.

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Item 12. Security Ownership of Certain Beneficial Owners and Management:

Security ownership of certain beneficial owners and management is the same as reported under the heading "Information Relating to Principal Security Holders" on Page 2 of the definitive proxy statement and under the heading "Security Holding of Directors, Nominees and Executive Officers" on Page 4 and Page 5 of the definitive proxy statement filed with the Commission pursuant to Regulation 14(a) within 120 days after the close of the fiscal year ended June 30, 1996, which are hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions:

The information included under the heading "Compensation and Option Committees Interlocks and Insider Participation In Compensation Decisions", on Page 6 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 30, 1996, and within 120 days after the close of said fiscal year, is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIFI, INC.

September 27, 1996 BY: ROBERT A. WARD
Robert A. Ward, Executive Vice
President - Finance and
Administration

September 27, 1996 BY: WILLIAM T. KRETZER
William T. Kretzer, President
(Chief Executive Officer)

September 27, 1996 BY: WILLIS C. MOORE
Willis C. Moore, Vice President
(Principal Financial and Accounting
Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

September 27, 1996	Chairman and Director	G. ALLEN MEBANE G. Allen Mebane
September 27, 1996	President, Chief Executive Officer and Director	WILLIAM T. KRETZER William T. Kretzer
September 27, 1996	Executive Vice President and Director	ROBERT A. WARD Robert A. Ward
September 27, 1996	Executive Vice President and Director	JERRY W. ELLER Jerry W. Eller
September 27, 1996	Executive Vice President and Director	G. ALFRED WEBSTER G. Alfred Webster
September 27, 1996	Director	CHARLES R. CARTER Charles R. Carter
September 27, 1996	Director	KENNETH G. LANGONE Kenneth G. Langone
September 27, 1996	Director	J.B. Davis
September 27, 1996	Director	DONALD F. ORR Donald F. Orr

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements

The following financial statements and report of independent auditors included in the Annual Report of Unifi, Inc. to its Shareholders for the fiscal year ended June 30, 1996, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated by reference in Items 1, 2, 5, 6, 7 and 8 herein, the 1996 Annual Report to shareholders is not deemed to be filed as part of this report.

	Annual Report Pages -----
Consolidated Balance Sheets at June 30, 1996 and June 25, 1995	14
Consolidated Statements of Income for the Years Ended June 30, 1996, June 25, 1995, and June 26, 1994	15
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended June 30, 1996, June 25, 1995 and June 26, 1994	16
Consolidated Statements of Cash Flows for the Years Ended June 30, 1996, June 25, 1995 and June 26, 1994	17
Notes to Consolidated Financial Statements	18 - 23
Report of Independent Auditors	13
(a) 2. Financial Statement Schedules	Form 10-K Pages
Schedules for the three years ended June 30, 1996:	
II - Valuation and Qualifying Accounts	IV-6

Schedules other than those above are omitted because they are not required, are not applicable, or the required information is given in the consolidated financial statements or notes thereto.

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Individual financial statements of the Registrant have been omitted because it is primarily an operating company and all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interest and/or indebtedness to any person other than the Registrant or its consolidated subsidiaries in amounts which together exceed 5% of the total assets as shown by the most recent year end consolidated balance sheet.

(a) 3. Exhibits

(2a-1) Form of Agreement and Plan of Merger, dated as of May 24, 1991, by and between Unifi, Inc. and Macfield, Inc., including exhibits, filed as Exhibit 2.1 to Unifi, Inc.'s Registration Statement on Form S-4 (Registration No. 33-40828), which is incorporated herein by reference.

(2a-2) Form 8-K, filed by Unifi, Inc. in relation to the confirmation of the merger of Macfield, Inc. with and into Unifi, Inc. and related exhibits, filed with the Securities and Exchange Commission on

August 8, 1991, which is incorporated herein by reference.

- (2a-3) Form of Agreement and Reverse Triangular Merger, dated February 10, 1993, by and between Unifi, Inc. and Vintage Yarns, Inc., filed as Exhibit 2.1 to Unifi, Inc.'s Registration Statement on Form S-4 (Registration No. 33-58282), which is incorporated herein by reference.
- (2a-4) Form 8-K, filed by Unifi, Inc. in relation to the confirmation of the Reverse Triangular Merger, where Vintage Yarns, Inc. became a wholly-owned subsidiary of Unifi, and related exhibits, filed with the Securities and Exchange Commission on May 10, 1993, which is incorporated herein by reference.
- (2a-5) Form of Agreement and Plan of Triangular Merger, dated July 15, 1993, by and between Unifi, Inc. and Pioneer Yarn Mills, Inc., Pioneer Spinning, Inc., Edenton Cotton Mills, Inc., and Pioneer Cotton Mill, Inc., (the "Pioneer Corporations"), filed as Exhibit 2.1 to Unifi, Inc.'s Registrations Statement on Form S-4 (Registration No. 33-65454), which is incorporated herein by reference.
- (2a-6) Form 8-K, filed by Unifi, Inc. for the purpose of reporting the Pioneer Corporations' Interim Combined Financial Statements (Unaudited) and Unifi, Inc.'s, and the Pioneer Corporations' Proforma Combined Interim Financial Information (Unaudited), and related exhibits, filed with the Securities and Exchange Commission on September 2, 1993, which is incorporated herein by reference.
- (2a-7) Form 8-K, filed by Unifi, Inc. for the purpose of reporting the Pioneer Corporations' merger with and into USY, and related exhibits filed with the Securities and Exchange Commission on November 5, 1993, which is incorporated herein by reference.

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- (3a) Restated Certificate of Incorporation of Unifi, Inc., dated July 21, 1994, (filed as Exhibit (3a) with the Company's Form 10-K for the Fiscal Year ended June 26, 1994), which is incorporated herein by reference.
- (3b) Restated By-Laws of Unifi, Inc., filed herewith.
- (4a) Specimen Certificate of Unifi, Inc.'s common stock, filed as Exhibit 4(a) to the Registration Statement on Form S-1, (Registration No. 2-45405), which is incorporated herein by reference.
- (10a) *Unifi, Inc. 1982 Incentive Stock Option Plan, as amended, filed as Exhibit 28.2 to the Registration Statement on Form S-8, (Registration No. 33-23201), which is incorporated herein by reference.
- (10b) *Unifi, Inc. 1987 Non-Qualified Stock Option Plan, as amended, filed as Exhibit 28.3 to the Registration Statement on Form S-8, (Registration No. 33-23201), which is incorporated herein by

reference.

- (10c) *Unifi, Inc. 1992 Incentive Stock Option Plan, effective July 16, 1992, (filed as Exhibit (10c) with the Company's Form 10-K for the fiscal year ended June 27, 1993), and included as Exhibit 99.2 to the Registration Statement on Form S-8 (Registration No. 33-53799), which are incorporated herein by reference.
- (10d) *Unifi, Inc.'s Registration Statement for selling Shareholders, who are Directors and Officers of the Company, who acquired the shares as stock bonuses from the Company, filed on Form S-3 (Registration No. 33-23201), which is incorporated herein by reference.
- (10e) Unifi Spun Yarns, Inc.'s 1992 Employee Stock Option Plan filed as Exhibit 99.3 to the Registration Statement on Form S-8 (Registration No. 33-53799), which is incorporated herein by reference.
- (10f) *Unifi, Inc.'s 1996 Incentive Stock Option Plan adopted in April, 1996, subject to shareholders' approval at their annual meeting in October, 1996, filed herewith.
- (10g) *Unifi, Inc.'s 1996 Non-Qualified Stock Option Plan adopted in April, 1996, subject to shareholders' approval at their annual meeting in October, 1996, filed herewith.
- (10h) Lease Agreement, dated March 2, 1987, between NationsBank, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, Wachovia Bank and Trust Co., N.A., Independent Fiduciary, and Unifi, Inc., (filed as Exhibit (10d) with the Company's Form 10-K for the fiscal year ended June 28, 1987), which is incorporated herein by reference.

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- (10i) Factoring Contract and Security Agreement and a Letter Amendment thereto, all dated as of May 25, 1994, by and between Unifi, Inc. and CIT Group/DCC, Inc., (filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which are incorporated herein by reference.
- (10j) Factoring Contract and Security Agreement, dated as of May 2, 1988, between Macfield, Inc., and First Factors Corp., and First Amendment thereto, dated September 28, 1990, (both filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 30, 1991), and Second Amendment to the Factoring Contract and Security Agreement, dated March 1, 1992, (filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 28, 1992), and Letter Agreement dated August 31, 1993 and Amendment to Factoring Contract and Security Agreement dated January 5, 1994, (filed as Exhibit (10h) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which are incorporated herein by reference.

- (10k) Factoring Agreement dated August 23, 1995, and a Letter Amendment thereto dated October 16, 1995, by and between Unifi, Inc. and Republic Factors Corp., filed herewith.
- (10l) *Employment Agreement between Unifi, Inc. and G. Allen Mebane, dated July 19, 1990, (filed as Exhibit (10h) with the Company's Form 10-K for the fiscal year ended June 30, 1991), which is incorporated herein by reference.
- (10m) *Employment Agreement between Unifi, Inc. and William T. Kretzer, dated July 19, 1990, (filed as Exhibit (10i) with the Company's Form 10-K for the fiscal year ended June 30, 1991), and Amendment to Employment Agreement between Unifi, Inc. and William T. Kretzer, dated October 22, 1992 (filed as Exhibit (10j) with the Company's Form 10-K for fiscal year ended June 27, 1993), which are incorporated herein by reference.
- (10n) *Severance Compensation Agreement between Unifi, Inc. and William T. Kretzer, dated July 20, 1996, expiring on July 19, 1999 (similar agreements were signed with G. Allen Mebane, Robert A. Ward, Jerry W. Eller and G. Alfred Webster), filed herewith.
- (10o) Credit Agreement, dated April 15, 1996, by and between Unifi, Inc. and The Several Lenders from Time to Time Party thereto and NationsBank, N.A. as agent, filed herewith.
- (11) Computation of Earnings per share.
- (13a) Portions of Unifi, Inc.'s 1996 Annual Report to Shareholders which are incorporated herein by reference, as a part of this Form 10-K for fiscal year ended June 30, 1996, filed herewith.

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- (13b-1) Report of Independent Auditors/Ernst & Young LLP - on the Consolidated Financial Statements of Unifi, Inc. as of June 30, 1996 and each of the three years in the period ended June 30, 1996.
 - (21) Subsidiaries of Unifi, Inc.
 - (23) Consent of Ernst & Young LLP
 - (27) Financial Data Schedule
- (b) Reports on Form 8-K
- (i) Form 8-K dated April 15, 1996 and filed with the commission on April 26, 1996, was filed during the Company's fourth quarter to report the redemption of its \$230 million, six percent (6%) Convertible Subordinated Notes due in 2002.

* NOTE: These Exhibits are management contracts or compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of this report.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
UNIFI, INC. AND SUBSIDIARIES
JUNE 30, 1996
(in thousands)

COLUMN A -----	COLUMN B -----	COLUMN C ----- Additions -----		COLUMN D -----	COLUMN E -----
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts- Describe	Deductions- Describe	Balance at End of Period
Allowance for doubtful accounts:					
Year ended June 30, 1996	\$ 6,452	\$3,660	\$ -	\$ (3,517) (a)	\$ 6,595
Year ended June 25, 1995	4,302	5,524	-	(3,374) (a)	6,452
Year ended June 26, 1994	3,675	4,626	25	(4,024) (a)	4,302
(a) Includes uncollectible accounts written off and customer claims paid, net of certain recoveries.					
Unrealized (gains)/losses on certain investments:					
Year ended June 30, 1996	\$ (1,835)	\$ -	\$ 1,835 (b)	\$ -	\$ -
Year ended June 25, 1995	1,445	-	(3,280) (c)	-	(1,835)
Year ended June 26, 1994	1,488	-	(43) (c)	-	1,445

<FN>

(b) Represents the change in fair market value of the related investment securities and the entry to reflect the disposition of the underlying investments.

(c) Represents the change in fair market value of the related investment securities.

</FN>

Exhibit (3b)

RESTATED BY-LAWS
OF
UNIFI, INC.

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ARTICLE I
Shareholders

Section 1.01. Annual Meeting. The Annual Meeting of Shareholders for the election of Directors and the transaction of such other business as may come before it shall be held on such date in each calendar year, not later than the one hundred fiftieth (150) day after the close of the Corporation's preceding fiscal year, and at such place as shall be fixed by the President and stated in the notice or waiver of notice of the meeting.

Section 1.02. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, may be called at any time by any Director, the President, any Vice President, the Treasurer or the Secretary or by resolution of the Board of Directors. Special meetings of the shareholders shall be held at such place as shall be fixed by the person or persons calling the meeting and stated in the notice or waiver of notice of the meeting.

Section 1.03. Notice of Meetings of Shareholders. Whenever shareholders are required or permitted to take any action at a meeting, written notice shall state the place, date and hour of the meeting and, unless it is the Annual Meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall

also state the purpose or purposes for which the meeting is called. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of Section 623 of the Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose to that effect. A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than fifty days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, then directed to him at such other address.

When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if after the adjournment, the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice under the next preceding paragraph.

Section 1.04. Waivers of Notice. Notice of meeting need not be given to any shareholder who submits a signed Waiver of Notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a Waiver of Notice by him.

Section 1.05. Quorum. The holders of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The shareholders present may adjourn the meeting despite the absence of a quorum and at any such adjourned meeting at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 1.06. Fixing Record Date. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action.

When a determination of shareholders of record entitled to notice of or to vote at any meeting or shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date under this Section for the adjourned meeting.

Section 1.07. List of Shareholders at Meeting. A list of shareholders as of the record date, certified by the corporate officer responsible for its preparation or by a transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 1.08. Proxies. Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy.

Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided in this Section.

The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the shareholder who executed the proxy unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the Corporate Officer responsible for maintaining the list of shareholders.

Except when other provision shall have been made by written agreement between the parties, the record holder of shares which are held by a pledgee as security or which belong to another, upon demand therefor and payment of necessary expenses thereof, shall issue to the pledgor or to such owner of such shares a proxy to vote or take other action thereon.

A shareholder shall not sell his vote or issue a proxy to vote to any person for any sum of money or anything of value, except as authorized in this Section and Section 620 of the Business Corporation Law.

A proxy which is entitled "irrevocable proxy" and which states that it is irrevocable, is irrevocable when it is held by any of the following or a nominee of any of the following:

- (1) A Pledgee;
- (2) A person who has purchased or agreed to purchase the shares;
- (3) A creditor or creditors of the Corporation who extend

or continue credit to the Corporation in consideration of the proxy if the proxy states that it was given in consideration of such extension or continuation of credit, the amount thereof, and the name of the person extending or continuing credit;

- (4) A person who has contracted to perform services as an Officer of the Corporation, if a proxy is required by the contract of employment, if the proxy states that it was given in consideration of such contract of employment, the name of the employee and the period of employment contracted for;
- (5) A person designated by or under an agreement under paragraph (a) of said Section 620.

Notwithstanding a provision in a proxy, stating that it is irrevocable, the proxy becomes revocable after the pledge is redeemed, or the debt of the Corporation is paid, or the period of employment provided for in the contract of employment has terminated, or the agreement under paragraph (a) of said Section 620 has terminated, and becomes revocable, in a case provided for in subparagraph (3) or (4) above, at the end of the period, if any, specified therein as the period during which it is irrevocable, or three years after the date of the proxy, whichever period is less, unless the period of irrevocability is renewed from time to time by the execution of a new irrevocable proxy as provided in this Section. This paragraph does not affect the duration of a proxy under the second paragraph of this Section.

A proxy may be revoked, notwithstanding a provision making it irrevocable, by a purchaser of shares without knowledge of the existence of the provision unless the existence of the proxy and its irrevocability is noted conspicuously on the face or back of the certificate representing such shares.

Section 1.09. Selection and Duties of Inspectors. The Board of Directors, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed failed to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter

determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Unless appointed by the Board of Directors or requested by a shareholder, as above provided in this Section, inspectors shall be dispensed with at all meetings of shareholders. The vote upon any question before any shareholders' meeting need not be by ballot.

Section 1.10. Qualification of Voters. Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his name on the record of shareholders, except as expressly provided otherwise in this Section and except as otherwise expressly provided in the Certificate of Incorporation of the Corporation.

Treasury shares and shares held by another domestic or foreign corporation of any type or kind, if a majority of the shares entitled to vote in the election of Directors of such other corporation is held by the Corporation, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

Shares held by an administrator, executor, guardian, conservator, committee, or other fiduciary, except a Trustee, may be voted by him, either in person or by proxy, without transfer of such shares into his name. Shares held by a Trustee may be voted by him, either in person or by proxy, only after the shares have been transferred into his name as Trustee or into the name of his nominee.

Shares held by or under the control of a receiver may be voted by him without the transfer thereof into his name if authority so to do is contained in an order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee.

Redeemable shares which have been called for redemption shall not be deemed to be outstanding shares for the purpose of voting or determining the total number of shares entitled to vote on any matter on and after the date on which written notice of redemption has been sent to holders thereof and a sum sufficient to redeem such shares has been deposited with a bank or trust company with irrevocable instruction and authority to pay the redemption price to the holders of the shares upon surrender of certificates therefor.

Shares standing in the name of another domestic or foreign corporation of any type or kind may be voted by such Officer, agent or proxy as the By-Laws of such corporation may provide, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

When shares are registered on the record of shareholders of the Corporation in the name of, or have passed by operation of law or by virtue of any deed of trust or other instrument to two

or more fiduciaries, and if the fiduciaries shall be equally divided as to voting such shares, any court having jurisdiction of their accounts, upon petition by any of such fiduciaries or by any party in interest, may direct the voting of such shares for the best interest of the beneficiaries. This paragraph shall not apply in any case where the instrument or order of the court appointing such fiduciaries shall otherwise direct how such shares shall be voted.

Notwithstanding the foregoing paragraphs of this Section, the Corporation shall be protected in treating the persons whose names shares stand on the record of shareholders as the owners thereof for all purposes.

Section 1.11. Vote of Shareholders. Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Whenever any corporate action, other than the election of Directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by the Business Corporation Law or by the Certificate of Incorporation of the Corporation, be authorized by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.

Section 1.12. Written Consent of Shareholders. Whenever under the Business Corporation Law shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon. This paragraph shall not be construed to alter or modify the provisions of any section of the Business Corporation Law or any provision in the Certificate of Incorporation of the Corporation not inconsistent with the Business Corporation Law under which the written consent of the holders of less than all outstanding shares is sufficient for corporate action.

Written consent thus given by the holders of all outstanding shares entitled to vote shall have the same effect as a unanimous vote of shareholders.

ARTICLE II Directors

Section 2.01. Management of Business; Qualifications of Directors. The business of the Corporation shall be managed by its Board of Directors, each of whom shall be at least twenty-one years of age.

Directors need not be Stockholders.

The Board of Directors, in addition to the powers and authority expressly conferred upon it herein, by statute, by the Certificate of Incorporation of the Corporation and otherwise, is hereby empowered to exercise all such powers as may be exercised by the Corporation, except as expressly provided otherwise by the statutes of the State of New York, by the Certificate of Incorporation of the Corporation and these By-Laws.

Section 2.02. Number of Directors. The number of Directors

which shall constitute the entire Board shall be nine (9), but this number may be increased and subsequently again increased or decreased from time to time by the affirmative vote of the majority of Directors, except that the number of Directors shall not be less than nine (9).

Section 2.03. Classification and Election. (a) The Directors shall be divided into three classes designated as Class 1, Class 2 and Class 3. All classes shall be as nearly equal in number as possible and no class shall include less than three (3) Directors. The term of office of the Directors initially classified shall be as follows: Class 1 shall expire at the next (1992) Annual Meeting of the Shareholders, Class 2 shall expire at the second succeeding (1993) Annual Meeting of the Shareholders, and Class 3 shall expire at the third succeeding (1994) Annual Meeting of the Shareholders. (b) At each Annual Meeting after such initial classification, Directors to replace those whose terms expired at such Annual Meeting shall be elected to hold office until the third succeeding Annual Meeting of the Shareholders. A Director shall hold office until the Annual Meeting for the year in which his term expires and subject to prior death, resignation, retirement, or removal from office, until his successor shall be elected and qualified.

Section 2.04. Newly Created Directorship and Vacancies. Newly created Directorships or any decrease in Directorship shall be apportioned among the classes as to make all classes as nearly equal in number as possible. Newly created Directorships resulting from an increase in the number of Directors and vacancies caused by death, resignation, retirement, or removal from office, subject to Section 2.05(b), may be filled by the majority of the Directors voting on the particular matter, if a quorum is present. If the number of Directors then in office is less than a quorum, such newly created Directorships and vacancies may be filled by the affirmative vote of a majority of the Directors in office. When the number of Directors is increased by the Board, and the newly created Directorships are filled by the Board, there shall be no classification of the additional Directors until the next Annual Meeting of the shareholders. Any Director elected by the Board to fill a vacancy shall serve until the next meeting of the shareholders, at which the election of the Directors is in the regular order of business, and until his successor is elected and qualified. In no case will a decrease in the number of Directors shorten the term of an incumbent Director.

Section 2.05(a). Resignations. Any Director of the Corporation may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, if any, or if no time is specified therein, then upon receipt of such notice by the addressee; and, unless otherwise provided therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 2.05(b). Removal of Directors. Any or all of the Directors may be removed at any time (i) for cause by vote of the shareholders or by action on the Board of Directors or (ii) without cause by vote of the shareholders, except as expressly provided otherwise by Section 706 of the Business Corporation Law. The Board of Directors shall fill vacancies occurring in the Board by reason of removal of Directors for cause. Vacancies occurring by reason of removal without cause shall be filled by

the Shareholders.

Section 2.06. Quorum of Directors. At all meetings of the Board of Directors, a majority of the number of Directors then office shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as expressly provided otherwise by the statutes of the State of New York and except as provided in the third sentence of Section 2.04, in Section 2.11 and Section 7.09 hereof.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting of the Directors to another time and place. Notice of any adjournment need not be given if such time and place are announced at the meeting.

Section 2.07. Annual Meeting. The Board of Directors shall meet immediately following the adjournment of the Annual Meeting of shareholders in each year at the same place and no notice of such meeting shall be necessary.

Section 2.08. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall from time to time be fixed by the Board and no notice thereof shall be necessary.

Section 2.09. Special Meetings. Special meetings may be called at any time by any Director, the President, any Vice President, the Treasurer, or the Secretary or by resolution of the Board of Directors. Special meetings shall be held at such place as shall be fixed by the person or persons calling the meeting and stated in the notice or waiver of notice of the meeting.

Section 2.10. Compensation. Directors shall receive such fixed sums and expenses of attendance for attendance at each meeting of the Board or of any committee and/or such salary as may be determined from time to time by the Board of Directors; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2.11. Committees. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an Executive Committee and other committees, each consisting of three or more Directors, and each of which, to the extent provided in the resolution, shall have the authority of the Board of Directors, except that no such committee shall have authority as to the following matters:

- (a) The submission to shareholders of any action that needs shareholder's authorization under the Business Corporation Law.
- (b) The filling of vacancies in the Board of Directors or in any committee.
- (c) The fixing of compensation of the Directors for serving on the Board of Directors or on any committee.

- (d) The amendment or repeal of the By-Laws, or the adoption of new By-Laws.
- (e) The amendment or repeal of any resolution of the Board of Directors which by its terms shall not be so amendable or repealable.

The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member or members at any meeting of such committee. Each such committee shall serve at the pleasure of the Board of Directors.

Regular meetings of any such committee shall be held at such time and place as shall from time to time be fixed by such committee and no notice thereof shall be necessary. Special meetings may be called at any time by any Officer of the Corporation or any member of such committee. Notice of each special meeting of each such committee shall be given (or waived) in the same manner as notice of a special meeting of the Board of Directors. A majority of the members of any such committee shall constitute a quorum for the transaction of business and the act of a majority of the members present at the time of the vote, if a quorum is present at such time, shall be the act of the committee.

Section 2.12. Interested Directors. No contract or other transaction between the Corporation and one or more of its Directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of the Corporation's Directors are Directors or Officers, or are financially interested, shall be either void or voidable for this reason alone or by reason alone that such Director or Directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or that his or their votes are counted for such purpose:

- (1) If the fact of such common Directorship, Officership or financial interest is disclosed or known to the Board or committee, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote or votes of such interested Director or Directors;
- (2) If such common Directorship, Officership or financial interest is disclosed or known to the shareholders entitled to vote thereon, and such contract or transaction is approved by vote of the shareholders; or
- (3) If the contract or transaction is fair and reasonable as to the Corporation at the time it is approved by the Board, a committee of the shareholders.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which approves such contract or transaction.

Section 2.13. Loans to Directors. A loan shall not be made by the Corporation to any Director unless it is authorized by vote of the shareholders. For this purpose, the shares of the Director who would be the borrower shall not be shares entitled to vote. A loan made in violation of this Section shall be a violation of the duty to the Corporation of the Directors approving it, but the obligation of the borrower with respect to the loan shall not be affected thereby.

Section 2.14. Consent to Action. Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee consent in writing, whether done before or after the action so taken, to the adoption of a resolution authorizing the action. The resolution and the written consent thereto shall be filed with the Minutes of the proceeding of the Board or the committee.

ARTICLE III Officers

Section 3.01. Election or Appointment: Number. The Officers shall be a Chairman, a Vice-Chairman, a President, a Secretary, a Treasurer, and such number of Executive Vice-Presidents, Vice-Presidents, Assistant Secretaries and Assistant Treasurers, and such other Officers as the Board may from time to time determine. Any person may hold two or more offices at the same time, except the offices of President and Secretary. Any Officer, except the Chairman, Vice-Chairman and the President of the Corporation, may but does not need to be chosen from among the Board of Directors.

Section 3.02. Term. Subject to the provisions of Section 3.03 hereof, all officers shall be elected or appointed to hold office until the meeting of the Board of Directors following the next Annual Meeting of shareholders, and each officer shall hold office for the term for which he is elected or appointed and until his successor has been elected or appointed and qualified.

The Board may require any Officer to give security for the faithful performance of his duties.

Section 3.03. Removal. Any Officer elected or appointed by the Board of Directors may be removed by the Board with or without cause.

The removal of an Officer without cause shall be without prejudice to his contract rights, if any. The election or appointment of an Officer shall not of itself create contract rights.

Section 3.04. Authority. Any Director or such other person as may be designated by the Board of Directors, and in the absence of such Director or other person, the President shall be the Chief Executive Officer of the Corporation. The Chairman shall oversee the general operations of the Corporation and set company policy which would be implemented, interpreted and carried out by the President and Chief Executive Officer who will report directly to the Chairman. The Chairman shall preside at all meetings of the Board of Directors unless some other person is designated by the Board.

Section 3.05. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers or notice of meeting,

consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice-President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any Corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE IV
Capital Stock

Section 4.01. Stock Certificates. The shares of the Corporation shall be represented by certificates signed by the Chairman of the Board or the President or a Vice-President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Corporation, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the Officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any Officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such Officer at the date of issue.

Each certificate representing shares shall also set forth such additional material as is required by subdivisions (b) and (c) of Section 508 of the Business Corporation Law.

Section 4.02. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by the laws of the State of New York and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before the new certificate shall be issued.

Section 4.03. Registered Holders. The Corporation shall be entitled to treat and shall be protected in treating the persons in whose names shares or any warrants, rights or options stand on the record of shareholders, warrant holders, right holders or option holders, as the case may be, as the owners thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, any such share, warrant, right or option on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided otherwise by the Statutes of the State of New York.

Section 4.04. New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Directors may, in their discretion, require

the owner of the lost, stolen or destroyed certificate, or his legal representatives, to give the Corporation a bond sufficient (in the judgment of the Directors) to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or theft of any such certificate or the issuance of such new certificate. A new certificate may be issued without requiring any bond when, in the judgment of the Directors, it is proper so to do.

ARTICLE V
Financial Notices to Shareholders

Section 5.01. Dividends. When any dividend is paid or any other distribution is made, in whole or in part, from sources other than earned surplus, it shall be accompanied by a written notice (1) disclosing the amounts by which such dividend or distribution affects stated capital, capital surplus and earned surplus, or (2) if such amounts are not determinable at the time of such notice, disclosing the approximate effect of such dividend or distribution upon stated capital, capital surplus and earned surplus and stating that such amounts are not yet determinable.

Section 5.02. Share Distribution and Changes. Every distribution to shareholders of certificates representing a share distribution or a change of shares which affects stated capital, capital surplus or earned surplus shall be accompanied by a written notice (1) disclosing the amounts by which such distribution or change affects stated capital, capital surplus or earned surplus, or (2) if such amounts are not determinable at the time of such notice, disclosing the approximate effect of such distribution or change upon stated capital, capital surplus and earned surplus and stating that such amounts are not yet determinable.

When issued shares are changed in any manner which affects stated capital, capital surplus or earned surplus, and no distribution to shareholders of certificates representing any shares resulting from such change is made, disclosure of the effect of such change upon the stated capital, capital surplus and earned surplus shall be made in the next financial statement covering the period in which such change is made that is furnished by the Corporation to holders of shares of the class or series so changed or, if practicable, in the first notice of dividend or share distribution or change that is furnished to such shareholders between the date of the change and shares and the next such financial statement, and in any event within six months of the date of such change.

Section 5.03. Cancellation of Reacquired Shares. When reacquired shares other than converted shares are canceled, the stated capital of the Corporation shall be reduced by the amount of stated capital then represented by such shares plus any stated capital not theretofore allocated to any designated class or series which is thereupon allocated to the shares canceled. The amount by which stated capital has been reduced by cancellation of required shares during a stated period of time shall be disclosed in the next financial statement covering such period that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share

distribution that is furnished to the holders of each class or series of its shares between the end of the period and the next such financial statement, and in any event to all its shareholders within six months of the date of the reduction of capital.

Section 5.04. Reduction of Stated Capital. When a reduction of stated capital has been effected under Section 516 of the Business Corporation Law, the amount of such reduction shall be disclosed in the next financial statement covering the period in which such reduction is made that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of each class or series of its shares between the date of such reduction and the next such financial statement, and in any event to all its shareholders within six months of the date of such reduction.

Section 5.05. Application of Capital Surplus to Elimination of a Deficit. Whenever the Corporation shall apply any part or all of its capital surplus to the elimination of any deficit in the earned surplus account, such application shall be disclosed in the next financial statement covering the period in which such elimination is made that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to holders of each class or series of its shares between the date of such elimination and the next such financial statement, and in any event to all its shareholders within six months of the date of such action.

Section 5.06. Conversion of Shares. Should the Corporation issue any convertible shares, then, when shares have been converted, disclosure of the conversion of shares during a stated period of time and its effect, if any, upon stated capital shall be made in the next financial statement covering such period that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of each class or series of its shares between the end of such period and the next financial statement, and in any event to all its shareholders within six months of the date of the conversion of shares.

ARTICLE VI Indemnification

Section 6.01. Right to Indemnification. The Corporation shall indemnify, defend and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or other, including appeals, by reason of the fact that he is or was a Director, Officer or employee of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer or employee of any Corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, Officer or employee or in any other capacity while serving as a Director, Officer or employee, to the fullest extent authorized by the New York Business

Corporation Law, as the same exists or may hereafter be amended, against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that except as provided in Section 6.02 hereof with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if required by law at the time of such payment, the payment of such expenses incurred by a Director or Officer in his capacity as a Director or Officer (and not in any other capacity in which service was or is rendered by such person while a Director or Officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or Officer, to repay all amounts so advanced if it should be determined ultimately that such Director or Officer is not entitled to be indemnified under this Section or otherwise.

"Employee" as used herein, includes both an active employee in the Corporation's service, as well as a retired employee who is or has been a party to a written agreement under which he might be, or might have been, obligated to render services to the Corporation.

Section 6.02. Right of Claimant to Bring Suit. If a claim under Section 6.01 is not paid in full by the Corporation within sixty (60) days or, in cases of advances of expenses, twenty (20) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the New York Business Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defence shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the New York Business Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant had not met such applicable standard of conduct shall be a defense to the action or create a presumption that claimant had not met the applicable standard of conduct. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to this Article that the procedures

and presumptions of this Article are not valid, binding and enforceable and shall stipulate in any such proceeding that the Corporation is bound by all provisions of this Article.

Section 6.03. Nonexclusiveness. The indemnification and advances of expenses granted pursuant to, or provided by, this Article shall not be deemed exclusive of any other rights to which a Director or Officer seeking indemnification or advancement or expenses may be entitled, whether contained in the Certificate of Incorporation or these By-Laws, and the Board of Directors is authorized, from time to time in its discretion, to enter into agreements with one or more Directors, Officers and other persons providing for the maximum indemnification allowed by applicable law.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article (a) shall apply to acts or omissions antedating the adoption of this By-Law, (b) shall be severable, (c) shall not be exclusive of other rights to which any Director, Officer or employee may now or hereafter become entitled apart from this Article, (d) shall continue as to a person who has ceased to be such Director, Officer or employee and (e) shall inure to the benefit of the heirs, Executors and Administrators of such a person.

Section 6.04. Insurance for Indemnification of Directors and Officers. The Corporation shall have the power to purchase and maintain insurance (a) to indemnify the Corporation for any obligations which it incurs as the result of the indemnification of Directors and Officers under the provisions of this Article; (b) to indemnify Directors and Officers in instances which they may be indemnified by the Corporation under the provisions of this Article; and (c) to indemnify Directors and Officers in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article, provided the contract of insurance covering such Directors and Officers provides, in a manner acceptable to the Superintendent of Insurance of the State of New York, for a retention amount and for co-insurance.

No insurance under the preceding paragraph of this Section may provide for any payment, other than the cost of defense, to or on behalf of any Director or Officer: (i) if a judgment or other final adjudication adverse to the insured Director or Officer establishes that his acts of active and deliberate dishonesty were material to the cause of action so adjudicated or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled, or (ii) in relation to any risk the insurance of which is prohibited under the insurance laws of the State of New York.

ARTICLE VII

Miscellaneous

Section 7.01. Offices. The principal office of the Corporation shall be in the City of New York, County of New York, State of New York. The Corporation may also have offices at other places, within and/or without the State of New York.

Section 7.02. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words "Corporate Seal of New York".

Section 7.03. Checks. All checks or demands for money shall be signed by such person or persons as the Board of Directors may from time to time determine.

Section 7.04. Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of July in each year and shall end on the 30th day of June of the ensuing year and the first fiscal year shall end on June 30, 1969.

Section 7.05. Books and Records. The Corporation shall keep correct and complete books and records of accounts and shall keep minutes of the proceedings of its shareholders, Board of Directors and Executive Committee, if any, and shall keep at the office of the Corporation in New York State or at the office of its transfer agent or registrar in New York State, a record containing the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof. Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 7.6. Duty of Directors and Officers. Directors and Officers shall discharge the duties of their respective positions in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions. In discharging their duties, Directors and Officers, when acting in good faith, may rely upon financial statements of the Corporation represented to them to be correct by the President or the Officer of the Corporation having charge of its books of accounts, or stated in a written report by an independent public or certified public accountant or firm of such accountants fairly to reflect the financial condition of the Corporation.

Section 7.07. When Notice or Lapse of Time Unnecessary; Notice Dispensed With When Delivery is Prohibited. Whenever, under the Business Corporation Law or the Certificate of Incorporation or the By-Law of the Corporation or by the terms of any agreement or instrument, the Corporation or the Board of Directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time, if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a shareholder, by his attorney-in-fact, submit a signed waiver of notice of such requirements.

Whenever any notice or communication is required to be given

to any person by the Business Corporation Law, the Certificate of Incorporation of the Corporation or these By-Laws, or by the terms of any agreement or instrument, or as a condition precedent to taking any corporate action and communication with such person is then unlawful under any statute of the State of New York or of the United States or any regulation, proclamation or order issued under said statutes, then the giving of such notice or communication to such person shall not be required and there shall be no duty to apply for license or other permission to do so. Any affidavit, certificate or other instrument which is required to be made or filed as proof of the giving of any notice or communication required the Business Corporation Law shall, if such notice or communication to any person is dispensed with under this paragraph, include a statement that such notice or communication was not given to any person with whom communication is unlawful. Such affidavit, certificate or other instrument shall be as effective for all purposes as though such notice or communication had been personally given to such person.

Section 7.08. Entire Board. As used in these By-Laws, the term "Entire Board" means the total number of Directors which the Corporation would have if there were no vacancies.

Section 7.09. Amendment of By-Laws. These By-Laws may be amended or repealed and new By-Laws adopted by the Board of Directors or by vote of the holders of the shares at the time entitled to vote of the holders of the shares at the time entitled to vote in the election of any Directors, except that any amendment by the Board changing the number of Directors shall require the vote of a majority of the Entire Board and except that any By-Laws adopted by the Board may be amended or repealed by the shareholders entitled to vote thereon as provided in the Business Corporation Law.

If any By-Law regulating an impending election of Directors is adopted, amended or repealed by the Board, the shall be set forth in the notice of the next meeting of shareholders for the election of Directors the By-Law so adopted, amended or repealed, together with a concise statement of the changes made.

Section 7.10 Nonapplication of North Carolina Shareholder Protection Act. The provisions of North Carolina General Statutes 55-75 through 55-79 shall not be applicable to this Corporation.

Section 7.11. Section Headings. The Headings to the Articles and Sections of these By-Laws have been inserted for convenience of reference only and shall not be deemed to be a part of these By-Laws.

Exhibit (10f)

UNIFI, INC.

1996 INCENTIVE STOCK OPTION PLAN

ARTICLE I

1.1 NAME & PURPOSE: The name of the Plan is the "Unifi, Inc. 1996 Incentive Stock Option Plan" (the "Plan"). The Plan is for the purposes of securing and retaining the services of key employees for Unifi, Inc., and its subsidiaries, as that term is defined in Section 424(f) of the 1986 Internal Revenue Code, as amended, (the "Subsidiaries"). The Board of Directors of the Unifi, Inc. believes the Plan will promote continuity of management and increase incentive and personal interest in the future of the Unifi, Inc. and its subsidiaries by those who are primarily responsible not only for its regular operations, but also for shaping and carrying out the long-range plans of Unifi, Inc. and assisting in its continued growth.

The purpose will be affected through the granting of stock options as herein provided, which options are intended to constitute "incentive stock options" ("Options") within the meaning of Section 422 of the 1986 Internal Revenue Code, as amended, (the "Code").

1.2 DEFINITIONS: Wherever used in the Plan, the following terms shall have the meaning set forth below:

(a) "Corporation" shall mean Unifi, Inc., its subsidiaries, and any successor corporation.

(b) "Board of Directors" shall mean the Board of Directors of the Corporation and any committee of Directors authorized by such Board to act on its behalf with reference to the Plan.

(c) "Committee" shall mean the Stock Option Committee. The Committee shall be appointed by the Board of Directors, shall consist of not less than three nor more than five outside Directors, none of whom shall be eligible to receive Options under the Plan. All members of the Committee shall serve at the pleasure of the Board of Directors.

(d) "Common Stock" shall mean the common stock of the Corporation identified as such on the most recent balance sheet of the Corporation.

(e) "Disability" shall mean a condition resulting from an accident or illness which in the opinion of the Committee permanently and totally prevents an optionee from carrying out his or her duties with the Corporation.

(f) "Fair Market Value" shall be deemed to be the closing price of the Corporation's Common Stock on the New York Stock Exchange on the day on which the option is granted.

(g) "Severance Date" shall mean, as determined by the Committee, the date on which an individual's employment with the Corporation terminates. Whether any leave of absence shall constitute termination of employment for the purpose of the Plan shall be determined in each case by the Committee, in its sole discretion. Whether a plant closing, moving the production of a product from one facility to another, or layoffs of 50 or more people shall constitute termination of employment for the purpose of the Plan shall be determined in

each of said events by the Executive Committee of the Board of Directors, in its sole discretion.

ARTICLE II

2.1 STOCKHOLDER APPROVAL AND EFFECTIVE DATE: The Plan will be presented to the holders of the Corporation's Common Stock at the next Annual Meeting which has been scheduled to be held on October 24, 1996. If the Plan is approved by the Shareholders, the effective date of the Plan is April 18, 1996. In the event the Plan is not approved by the holders of the Corporation's Common Stock, the Plan automatically terminates and any Options granted under the Plan shall be void and of no further force or effect. No Options granted under this Plan can be exercised prior to the Plan being approved by the Corporation's Common Stock shareholders.

ARTICLE III

3.1 PLAN ADMINISTRATION: The Plan is to be administered by the Stock Option Committee. The Committee is authorized to establish such rules and regulations and to appoint such agents as it deems appropriate for the proper administration of the Plan and to take such steps in connection with the Plan or the benefits provided thereunder as it deems necessary or advisable. The Committee shall have exclusive jurisdiction to select the key employees to whom options shall be granted, determine the number of shares subject to each option, determine the time or times when options will be granted, determine the option price of the shares subject to options which shall not be less than the Fair Market Value of the Corporation's Common Stock on the date the option is granted, determine the time when each option may be exercised provided however, that no options can be exercised until after the Plan has been approved by the holders of the Corporation's Common Stock, as provided in Section 2.1, or within less than six (6) months from date of grant, whichever date occurs last, establish such other provisions in the option agreement as the Committee may deem necessary or desirable, consistent with the terms of the Plan, and to determine all other questions relating to the administration of the Plan.

3.2 PLAN INTERPRETATION: The Board of Directors may make such rules and regulations and establish the procedures for the administration of the Plan as it deems appropriate. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure or, as to any question, right or obligation arising from or relating to the Plan, the decision of the Board of Directors shall be final and binding upon all persons. The decision of the Committee with respect to any questions arising as to the employees selected to receive options and the number of shares authorized in said option, under the Plan, shall be controlling.

3.3 REGISTRATION AND LISTING ON STOCK EXCHANGE: The Board of Directors shall determine the restrictions, if any, to be placed on certificates issued upon the exercise of Options and whether the stock issued under this Plan will be registered with the Securities and Exchange Commission and listed on a stock exchange. The decision of the Board of Directors shall be final and binding upon all persons.

ARTICLE IV

4.1 AGGREGATE AMOUNT OF STOCK SUBJECT TO PLAN: The maximum aggregate number of shares of the Corporation's Common Stock which might be used pursuant to the exercise of options granted hereunder shall be 1,000,000 shares of the Corporation's authorized but unissued Common Stock, which shares are hereby reserved for issue solely subject to the provisions of this Plan. Adjustments may be made in the aggregate amount of stock which may be issued under the Plan pursuant to the provisions of Section 11.1. If for any reason any option granted under the Plan shall terminate or expire or be surrendered without having been exercised in full, the shares subject to such option but not purchased thereunder shall again be available for options to be granted hereunder.

ARTICLE V

5.1 OPTION AGREEMENT: Each option under this Plan shall be evidenced by an Option Agreement which shall be signed by an Officer for the Corporation and by the Optionee, which shall contain such provisions that may be approved by the Committee and shall be in accordance with the Plan but may include additional provisions and restrictions, providing that the same are not inconsistent with the Plan or applicable provisions of the Code.

ARTICLE VI

6.1 ELIGIBILITY: Options may be granted only to key employees, including Officers, whether or not they are Directors of the Corporation or one of its Subsidiaries. A Director of the Corporation, or a Subsidiary, who is not also such an employee, will not be eligible to receive an option. In determining the employees to whom options may be granted, and the number of shares to be covered by each option, subject to the limitations as set forth in Section 8.1 of this Plan, the Committee will take into account the duties of the respective employees, his or her present and potential contribution to the success of the Corporation, the anticipated number of years of effective service remaining, and such other factors as they may deem relevant in connection with accomplishing the purposes of the Plan. Subject to the limitations set forth in this Plan, an eligible employee who has been granted an option may be granted an additional option or options if the Committee shall so determine.

ARTICLE VII

7.1 GRANT OF OPTIONS: The Committee is hereby authorized by majority vote of its members to grant stock options within the limitations set forth in Section 8.1, from time to time on the Corporation's behalf to any one or more persons, who, at the time of such grant, are full-time employees and meet the eligibility requirements as set forth in Section 6.1 of the Plan. These are intended to be incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, to the maximum allowed by said Section. Options granted under the Plan (i) must be granted within ten (10) years from April 18, 1996, subject to the provisions of Section 10.1(b) of this Plan, and (ii) to the extent they are incentive stock options, otherwise comply with Section 422 of the Code, as amended. More than one option may be granted to an optionee pursuant to the Plan.

ARTICLE VIII

8.1 LIMITATIONS: The aggregate number of shares of Common Stock for which options may be granted to eligible employees under this Plan at any one time is unlimited, subject to the provisions of Section 4.1, of this Plan, provided, that if as a result of any grant hereunder the aggregate Fair Market Value (determined as of the time the option is granted) of the stock with respect to which incentive stock options are exercisable for the first time by such employee during any calendar year, under this and all other incentive stock option plans (as defined in Section 422 of the Code, as amended) of the Corporation, would exceed \$100,000.00, any excess amount will be treated as non-qualified stock options.

ARTICLE IX

9.1 PURCHASE PRICE: The purchase price for a share of the Common Stock, subject to any option granted hereunder, shall not be less than 100% of the Fair Market Value of the Common Stock on the date of the granting of the option. In case an option is granted to any person then owning beneficially more than ten percent (10%) of the voting power of all classes of the Corporation's Common Stock, said purchase price per share of Common Stock subject to the option shall not be less than 110% of the Fair Market Value of the Common Stock on the date of granting of the option.

ARTICLE X

10.1 EXERCISE OF OPTIONS:

(a) An option may be exercised at any time or from time to time, as to any part or all the shares which shall be covered thereby provided, however, options shall not be exercisable prior to the expiration of six (6) months following the date on which the option was granted, subject to this Plan having been approved by the holders of the Common Stock of the Corporation as provided in Section 2.1 hereof;

(b) subject to the provisions of this Plan with respect to termination of employment under Sections 12.1, 12.2 and 12.3 herein, the period during which each option may be exercised shall be fixed by the Committee at the time such option is granted. In no event however, shall any option granted to a person then owning more than ten percent (10%) of the voting power of all classes of the Corporation's Common Stock be exercisable by its terms after the expiration of five (5) years from the date of grant thereof, nor shall any other option granted under this Plan be exercisable by its terms after the expiration of ten (10) years from the date of the grant thereof;

(c) no shares shall be delivered pursuant to any exercise of an option until the requirements of such laws and regulations as may be deemed by the Committee to be applicable to them are satisfied and until payment in full in cash or for exchange in shares of the Corporation's Common Stock, previously owned by the optionee, at the Fair Market Value of said stock on the date of exercise, or such other terms and conditions as may be determined by the Committee. No optionee, or the legal representative, legatee, or distributee of an optionee, shall be deemed to be a holder of any shares subject to any option unless and until the certificate or

certificates for them have been issued.

ARTICLE XI

11.1 CAPITAL ADJUSTMENTS AFFECTING STOCK: In the event of a capital adjustment resulting from a stock dividend, stock split, reorganization, merger, consolidation, or a combination or exchange of shares, the number of shares of stock subject to this Plan and the number of shares under option shall be adjusted consistent with such capital adjustment. The price of any share under option shall be adjusted so that there will be no change in the aggregate purchase price payable under exercise of any such option. The granting of an option pursuant to this Plan shall not affect in any way the right or power of the Corporation to make adjustments, reorganizations, reclassifications, or changes of its capital or business structure or to merge, consolidate, dissolve, liquidate, or sell or transfer all or any part of its business or assets.

ARTICLE XII

12.1 TERMINATION OF EMPLOYMENT: An optionee whose employment terminates for reasons other than disability, retirement or determined by the Board of Directors or Committee not to be a termination of employment as provided in Section 1.1(g) of this Plan, shall have no right to exercise any existing option granted under this Plan.

12.2 DEATH OF OPTIONEE: In the event of the death of an optionee, the administrator of the deceased optionee's estate, the executor under his or her Last Will and Testament, or the person or persons to whom such stock option shall have been validly transferred by such executor or administrator, pursuant to the Last Will and Testament or the Intestate Succession Laws of the State of North Carolina, shall have the right, within three (3) months from the date of the optionee's death, but not beyond the expiration date of the option, to exercise such option to the extent exercisable by the optionee at the date of his or her death.

12.3 DISABILITY: In the event of the termination of the optionee's employment due to disability, the optionee shall have the right, within twelve (12) months from his or her severance date, but not beyond the expiration date of such option, to exercise such option to the extent exercisable on such severance date.

ARTICLE XIII

13.1 EMPLOYMENT: The establishment of this Plan and the granting of any options thereunder shall not be construed as conferring on any employee or optionee any right to continued employment, and the employment of any optionee may be terminated without regard to the effect which such action might have upon him or her as an optionee.

ARTICLE XIV

14.1 NON-TRANSFERABILITY: The terms of any option granted under this Plan shall include a provision making such option nontransferable by the optionee, except upon death, and exercisable during the optionee's lifetime only by the optionee.

ARTICLE XV

15.1 AMENDMENT, MODIFICATIONS & TERMINATION OF THE PLAN:

The Board of Directors at any time may terminate and/or in any respect amend and modify the Plan provided, however, that no such action by the Board of Directors, without approval of the Corporation's common shareholders, may: (a) increase the total number of shares which may be made subject to options granted under the Plan in the aggregate; (b) change the manner of determining the option price as set forth under Section 9.1 hereof; (c) materially modify the requirements as to eligibility for participation in the Plan; (d) extend the period in which options may be granted or exercised, as provided in Sections 7.1 and 10.1 hereof; and (e) withdraw the administration of the Plan from a Committee of the Board of Directors, no members of which are eligible to receive options under the Plan.

ARTICLE XVI

16.1 OTHER TERMS: Any option granted under this Plan shall contain such other and additional terms not inconsistent with the terms of this Plan, which are deemed necessary or desirable by the Committee or the Board of Directors, and such other terms shall include those which together with the terms herein set forth shall constitute such option as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code.

Exhibit (10g)

UNIFI, INC.

1996 NON-QUALIFIED STOCK OPTION PLAN

1. NAME OF PLAN: The name of the Plan is the "Unifi, Inc. 1996 Non-Qualified Stock Option Plan" (the "Plan").

2. PURPOSE: The purpose of this Plan is to enhance the interests of Unifi, Inc. (Corporation), its shareholders and subsidiaries, by increasing its ability to secure and retain officers and other key employees upon whose judgment, initiative and effort the Corporation is largely dependent for the successful conduct of its business, by offering officers and key employees an opportunity to acquire or increase such persons stock interest in the Corporation, and to attract well qualified individuals who are not full time employees of the Corporation or its subsidiaries, to serve as Directors of the Corporation or its subsidiaries ("Outside Directors").

The purpose will be affected through the granting of stock options as herein provided, such options DO NOT QUALIFY AS "INCENTIVE STOCK OPTIONS" WITHIN THE MEANING OF SECTION 422 OF THE 1986 INTERNAL REVENUE CODE, AS AMENDED, (the "Code") AND ARE, THEREFORE, NON-QUALIFIED STOCK OPTIONS.

3. EFFECTIVE DATE OF PLAN AND SHAREHOLDER APPROVAL: The effective date of the Plan is April 18, 1996, the date of its approval by the Board, provided however, if the Plan is not approved by the shareholders of the Corporation, representing a majority of the voting power at the shareholders' annual meeting on October 24, 1996, the Plan shall terminate and any Options granted thereunder shall be null and void, and shall have no force or effect.

4. DEFINITIONS: Wherever used in the Plan, the following terms shall have the meaning set forth below:

(a) "Corporation" shall mean Unifi, Inc.

(b) "Board" shall mean the Board of Directors of the Corporation.

(c) "Committee" shall mean the standing committee of the Board of Directors or a subcommittee of a standing committee of the Board of Directors, if any, authorized by the Board to administer the Plan. If the Board delegates the authority of administering the Plan to a Committee, it shall consist of not less than three nor more than five non-employee Directors. All members of the Committee shall serve at the pleasure of the Board.

(d) "Common Stock" shall mean the common stock of the Corporation identified as such on the most recent balance sheet of the Corporation.

(e) "Date of Grant" shall mean the date the option is granted under the Plan.

(f) "Option" shall mean options granted under the Plan.

(g) "Optionee" shall mean the person to whom an Option, which has not expired, has been granted under the Plan.

(h) "Subsidiary or Subsidiaries" shall mean a sponsor-type subsidiary corporation or companies of the Corporation as defined in 424 of the Code.

5. ADMINISTRATION OF PLAN: (a) The Plan shall be administered by the Board, or by a Committee appointed by the Board (the "Committee"). If the Plan is administered by the Committee, it shall report all actions taken by it to the Board. Options may be granted to members of the Committee only by a majority of the members of the Board, excluding those members of the Committee.

(b) The Board or Committee shall have full and final authority in its discretion, subject to the provisions of the Plan, to determine the individuals to whom and the time or times at which Options shall be granted and the number of shares and the purchase price of common stock covered by each Option, to construe and interpret the Plan, to determine the terms and provisions of the respective Option agreements which need not be identical, including without limitations, terms covering the payment of the Option price, and make all other determinations and take all other actions deemed necessary or advisable for the proper administration of the Plan. All such actions and determinations shall be conclusive and binding for all purposes upon all persons.

(c) In the event a Committee is authorized by the Board to administer the Plan, it shall select one of its members as the Chairman and shall hold its meeting at such times and places as it deems advisable. At least one-half of its members shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members who are present. Any decision or determination reduced to writing and signed by a majority of all of the members shall be fully as effective as if made by a majority vote at a meeting duly called and held.

6. STOCK SUBJECT TO PLAN: The aggregate number of shares of the Corporation's Common Stock to be reserved and which may be issued upon exercise of Options granted under the Plan shall be one million (1,000,000), subject to adjustments under the provisions of Paragraph 7. The shares of Common Stock to be issued upon exercise of the Option may be authorized but unissued shares or shares issued and reacquired by the Corporation. In the event any Option shall for any reason terminate or expire or be surrendered without having been exercised in full, the shares subject to such Option, but not purchased thereunder, shall again be available for Options to be granted under the Plan.

7. CAPITAL ADJUSTMENTS AFFECTING STOCK: In the event of a capital adjustment resulting from a stock dividend, stock split, reorganization, merger, consolidation, or a combination or exchange of shares, the number of shares of stock subject to this Plan and the number of shares under Option shall be adjusted consistent with such capital adjustment. The price of any share under Option shall be adjusted so that there will be no change in the aggregate purchase price payable under exercise of any such Option. The granting of an Option pursuant to this Plan shall not affect in any way the right or power of the Corporation to make adjustments, reorganizations, reclassifications, or changes of its capital or business structure or to merge, consolidate, dissolve, liquidate, or sell or transfer all or any part of its business or assets.

8. PARTICIPANTS: Options may be granted only to Directors, Officers or key employees of the Corporation and/or its subsidiaries. A participant may receive more than one grant; provided, however, no Options may be granted to any person who, at the time of the grant, owns more than ten percent (10%) of the

stock of the Corporation. In determining the individuals to whom Options may be granted, the Board shall take into account the duties of the individuals, their present and potential contribution to the success of the Corporation, the anticipated number of years of effective service remaining and such other factors as it deems relevant in connection with accomplishing the purposes of the Plan. Subject to the limitations set forth in the Plan, Directors, Officers and key employees who have been granted an Option under this Plan or other stock Option plans of the Corporation may be granted an additional Option or Options under this Plan if the Board or Committee shall so determine.

9. OPTION AGREEMENT: Each Option under this Plan shall be evidenced by an Option Agreement which shall be signed by an Officer for the Corporation and by the Optionee. The Option shall contain such provisions that may be approved by the Board or Committee and shall be in accordance with the Plan but may include additional provisions and restrictions and all Options do not have to be the same, providing that the terms thereof are not inconsistent with the Plan.

10. OPTION PERIOD: Each Option granted hereunder must be granted within ten years from the effective date of the Plan. The period for the exercise of each Option shall be determined by the Board, but in no instance shall such period exceed ten years from the date of grant of the Option. No Option may be granted under the Plan subsequent to April 17, 2006.

11. OPTION PRICE: The per share Option price of the stock subject to each Option shall be determined by the Board or the Committee on the date the Option is granted. The purchase price may be less than the fair market value of the Common Stock on the date of granting.

12. EXERCISE OF OPTIONS:

(a) An Option may be exercised at any time or from time to time, as to any part or all the shares which shall be covered thereby provided, however, Options shall not be exercisable prior to the expiration of six (6) months following the date on which the Option was granted and no Option can be exercised prior to shareholder approval of the Plan. If the Plan is not approved by the shareholders, all Options granted under the Plan shall become void and be unenforceable;

(b) No shares shall be delivered pursuant to any exercise of an Option until the requirements of such laws and regulations as may be deemed by the Board of Directors or Committee to be applicable to them are satisfied and until payment in full in cash or for exchange in shares of the Corporation's Common Stock, previously owned by the Optionee, at the Fair Market Value of said stock on the date of exercise, or such other terms and conditions as may be determined by the Board or Committee. No Optionee, or the legal representative, legatee, or distributee of an Optionee, shall be deemed to be a holder of any shares subject to any Option unless and until the certificate or certificates for them have been issued.

13. NON-TRANSFERABILITY OF OPTION: No Option granted under the Plan shall be transferable without the consent of the Board (including pledges or hypothecations) by an Optionee other than by Will or if said Optionee dies intestate, under the laws of descent and distribution of the state of said Optionee's domicile at the time of his death. During the lifetime of an Optionee, the Option shall be exercised only by said Optionee.

14. TERMINATION OF OPTIONS: The right of every Optionee to purchase shares under his or her Option shall be subject to the

provisions of this paragraph.

(a) In relation to Options with Officers or key employees:

(i) In the event of the termination of an Officer or employment with the Corporation of a key employee for any reason, other than death, without the consent of the Board, all rights of the Optionee to purchase shares pursuant to his or her Option (including right to purchase shares which have accrued but which have remained unexercised) shall expire three (3) months after the date on which the Optionee's affiliation or employment with the Corporation is terminated.

(ii) In the event of the death of an Optionee who is a key employee, the unexpired portion of said Option shall be exercisable within a period of one (1) year from the date of said key employee's death only by the personal representative of the estate of the deceased, or such other person or persons to whom the legatee's rights under the Option shall pass by the Optionee's Will, or if he or she dies intestate, by the laws of descent and distribution of the state of said Optionee's domicile at the time of death, or by the transferee of any Option transferred with the consent of the Board (see Paragraph 13); and to the extent the Optionee was entitled to exercise Options at the time of death.

(b) In relation to Options with Directors:

(i) In the event an Optionee's, who is a Director, tenure in office is terminated for "cause", as cause is defined by the Corporation's Certificate of Incorporation, all such rights of the Optionee to purchase shares pursuant to his or her Option (including right to purchase shares which have accrued but which have remained unexercised) shall forthwith cease and terminate.

(ii) In the event of termination of a Director's tenure in office, other than for "cause", prior to full exercise of his or her Option under the Plan, the unexpired portion of said Option shall be exercisable within a period of one (1) year, or such longer period as the Board may determine, from the date of such Director's termination of tenure in office.

(iii) In the event of death of an Optionee, who is a Director, prior to the full exercise of his or her Option the unexpired portion of said Option shall be exercisable within a period of one (1) year from the date of said Director's death only by the personal representative of the estate of the deceased, or such other person or persons to whom the legatee's rights under the Option shall pass by the Optionee's Will, or if he or she dies intestate, by the laws of descent and distribution of the state of said Optionee's domicile at the time of death, or by the transferee of any Option transferred with the consent of the Board (see Paragraph 13); and to the extent the Optionee was entitled to exercise Options at the time of death.

15. RIGHTS AS SHAREHOLDERS: An Optionee or a transfer of an Option shall have no right as a Shareholder with respect to any shares subject to such offer prior to the purchase of such shares by exercise of the Option as provided herein and the issuance and deliverance of such shares.

16. EMPLOYMENT: The establishment of this Plan and the granting of any Options thereunder shall not be construed as conferring on any employee any right to continued employment, and the employment of any Optionee may be terminated without regard to the effect which such action might have upon him or her as an Optionee.

17. AMENDMENT OR TERMINATION: Unless the Plan shall theretofore have been terminated as hereinafter provided, it shall terminate on, and no Option shall be granted thereunder after, April 17, 2006. The Board may amend the Plan or make such modifications or amendments thereto as it shall deem advisable, or in order to conform to any changes in any law or regulation applicable thereto, or terminate the Plan, Provided, however, the Board may not, without further approval by the shareholders of a majority of the outstanding shares of the Corporation having general voting power, (a) make any changes in the maximum number of shares reserved for issuance on Options under the Plan, other than changes as described in Paragraph 6 hereof; (b) change the participants eligible to be granted Options; (c) revoke or alter the terms of any Options previously granted, without the consent of the Optionee; (d) extend the time within which Options may be granted under the Plan; or (e) provide for the administration of the Plan otherwise than by the Board or a Committee of the Board.

18. GOVERNMENT REGULATIONS: The Plan and the granting and exercising of Options hereunder shall be subject to all applicable Federal and State laws and all rules and regulations issued thereunder, and the Board of Directors, in its discretion, may, subject to the provisions of Paragraph 6 hereof, make such changes in the Plan (except such changes which by law, or as provided in Paragraph 17, must be approved by the shareholders) as may be required to conform the Plan to such applicable laws, rules and regulations.

19. OTHER PROVISIONS: Options granted pursuant to the Plan shall be evidenced by agreements in such form as the Board shall from time to time approve.

FACTORING AGREEMENT

Republic Factors Corp.
452 Fifth Avenue
New York, New York 10018

Re: Unifi, Inc.

Ladies and Gentlemen:

We hereby request that you act as our factor effective as of the date of your acceptance hereof, upon the terms and conditions set forth below. All capitalized terms shall have the meaning given such terms in Section 15 of this Agreement ("Definitions") unless defined elsewhere in this Agreement.

1. PURCHASE OF RECEIVABLES:

A. We agree that we will do certain of our business through you as our factor and hereby assign and sell to you as absolute owner all Receivables. We represent and warrant that each and every Receivable now or hereafter assigned to you will be a bona fide and existing obligation of a customer of ours, owned by and owing to us, arising out of the sale and delivery of goods by us, free and clear of any and all deductions, Disputes, liens, security interests and encumbrances.

B. You agree to and do hereby purchase without recourse to us, except as set forth hereinafter, all Receivables approved by you in accordance with Section 1.E below. You agree to and do hereby assume the risk of non-payment on such Receivables, if nonpayment is due solely to the financial inability of our customer to make payment at the due date of the Receivable, provided the customer has, at such due date, and thereafter, received and finally accepted the merchandise giving rise to such Receivables without any Dispute.

C. Receivables not approved by you in accordance with Section 1.E below also are assigned to and purchased by you, but with full recourse to us in the event of non-payment thereof or in the event of a Dispute.

D. In addition, we hereby sell, assign and transfer to you all of our right, title and interest in and to the merchandise, the sale of which resulted in creation of Receivables, and in all such merchandise that may be returned by customers and all causes of action and rights in connection therewith, which we now have or may hereafter acquire, including our rights of reclamation, replevin and stoppage in transit and as an unpaid vendor of merchandise or services as a lienor. We hereby agree upon your instruction to promptly take any and all action necessary for you to enforce your rights of reclamation, replevin and stoppage in transit and in the event of our failure to do so, you shall be authorized to exercise any such right in our name or in any manner you deem appropriate. Any merchandise so recovered shall be treated as returned merchandise, and shall be set aside, marked with your name and held for your account as owner. We shall notify you promptly of all such returned merchandise.

E. No purchase of any Receivable by you shall be deemed to be made pursuant to Section 1. B. above unless the sale

of merchandise by us resulting in such Receivable shall have been made with your prior written approval of the amount and terms of such sale and the credit standing of our customer, and you shall have the right to withdraw such approval at any time before actual delivery of such merchandise. Each credit approval shall be automatically withdrawn in the event the terms of sale are changed without your written approval or in the event the shipment of goods or rendition of services shall not be made or performed within thirty (30) days from the completion date specified in the credit approval or within thirty (30) days from the date of the credit approval, if no completion date is specified. When a credit approval specifies special terms and conditions, the credit approval shall be deemed automatically withdrawn when such special terms and conditions are not complied with. You shall not be liable in any manner or respect for refusing to accept or approve any Receivable or the credit standing of any customer of ours or for withdrawing any approval as provided in this Section 1.E.

F. Net Sales relating to each Receivable shall be credited to our account net of any deductions as of the last day of the month in which such Receivables are specifically assigned and shall be available for payment on the Settlement Date of the month in which such Receivables are specifically assigned and such credit shall constitute payment in full of such receivable. At your election, you may deduct from Net Sales available for payment on the Settlement Date or charge our account with your factoring commission and interest, fees and charge backs as provided in this Agreement.

G. On the face of all bills and invoices for all Receivables assigned to and purchased by you hereunder shall be placed the following legend: "This Receivable is assigned owned by and payable only to: REPUBLIC FACTORS CORP. AT P.O. BOX 7777, W8720, PHILADELPHIA, PA 19175-8720 OR DEPT. 49941, LOS ANGELES, CA 90088, whichever is nearer. Any objection to this invoice must be reported to Republic Factors Corp. at 452 Fifth Avenue, New York, N.Y. 10018-2706."

2. ADVANCES: You may, in your sole discretion, make advances to us from time to time at our request. In your sole discretion you may hold a reserve against Receivables in such amount as you determine to hold, and you may revise such reserve from time to time.

3. SECURITY INTEREST: As security for any and all Obligations, you shall be entitled to hold and we hereby grant to you a continuing general lien upon, security interest in and to, and right of set off on or against any or all of the following, whether now or hereafter existing or acquired (collectively, the "Collateral"): our reserves, all balances, sums and other property at any time to our credit or in your possession or in the possession of any of your Affiliates, together with all merchandise the sale of which resulted in the creation of Receivables and in all such merchandise that may be returned by customers and Receivables, if and to the extent we are deemed to have any rights therein, and all books and records relating to any of the foregoing, including the cash and non-cash proceeds of all of the foregoing. We represent, warrant and covenant to you that we now have, and shall at all times continue to have, good and marketable title to all of the Collateral, free and clear of any and all liens, security interests and encumbrances. We shall execute and deliver to you all financing statements and other documents and instruments that you may request to perfect, protect or establish your security interest hereunder. We shall reimburse you for, and you shall be entitled to charge our account with, all reasonable costs and expenses incurred by you in connection with the enforcement of this Agreement, or to

enforce any of the obligations, or in the prosecution or defense of any action, between you or us, concerning any matter growing out of or in any manner relating to this Agreement or other Collateral or any obligation whatsoever including, without limitation, all reasonable fees and expenses of your attorneys (including in-house counsel), incurred in connection with the foregoing, including, without limitation, those incurred in connection with any state court insolvency case or proceeding or federal bankruptcy case or proceeding, and all fees and costs in connection with public record searches and filings, investigation, accounting and periodic field examination fees and expenses (whether from your own or outside investigators, auditors or examiners) and all other costs and expenses with respect thereto, whether or not a legal action is commenced by or against us, and if such action is commenced, whether or not judgment is obtained. Recourse to security or any Collateral shall not at any time be required and we shall at all times remain liable for the repayment on demand to you of all loans and advances to or for our account and of all other Obligations at any time or from time to time owing to you or any of your Affiliates.

4. DISBURSEMENT OF FUNDS: We may from time to time give you oral, telephonic, telefax and/or written instructions to disburse monies out of our factoring account. Such disbursement requests may be made by any of our officers, employees or agents and you shall have no obligation to verify that any request is authorized or proper.

5. INTEREST:

A. Interest charges to our account shall be at one-half of one percent (1/2%) in excess of the Republic Reference Rate, computed on the basis of a 360-day year for the actual number of days in the interest period. We recognize that the actual yield to you under this Agreement may exceed the rate of interest specified in this Section 5.A. The interest rate in effect during each calendar month shall be determined using the Republic Reference Rate in effect on the last Business Day of the preceding calendar month.

B. Interest on all sums charged to us or to or for our account or payable to us by you during any month shall be calculated from the date any such charge was incurred up to and including the Settlement Date of such month. Interest on all sums advanced to us or to or for our account shall be calculated from the date of such advance up to and including the date on which such advance is repaid.

C. You shall charge our account with interest at the applicable rate determined in accordance with Section 5.A above for chargebacks, and changes to the due date of any Receivable. Interest on chargebacks of full invoices shall be calculated from the due date of the Receivable involved to the Settlement Date of the month in which such chargeback was made. Interest on chargebacks relating to customer partial deductions of invoices shall be calculated from the Deposit Date of the remittance taking such deduction until the end of the month in which such chargeback was made and from the end of such month until the Settlement Date of such month. Interest on changes to the due dates of Receivables shall be calculated from the original due date of such Receivable to the revised due date of such Receivable. Early payments made by our customers shall not reduce the interest to be charged to our account.

D. If for any reason there remains with you past any Settlement Date any balance owing to us ("Matured Funds"), you shall pay us interest on such Matured Funds from the day

after Settlement Date up to and including the date such funds are remitted to us, at a rate per annum equal to 2% below the Republic Reference Rate in effect during each day in which such Matured Funds are retained by you. The applicable Republic Reference Rate to be determined in accordance with Section 5.A above. You reserve the right to remit such Matured Funds to us at any time.

6. MONTHLY STATEMENTS: You will send us a monthly statement of our account current after the end of each month. UNLESS YOU RECEIVE OUR WRITTEN EXCEPTIONS TO ANY ACCOUNT CURRENT RENDERED BY YOU WITHIN SIXTY (60) DAYS AFTER SUCH ACCOUNT CURRENT IS RENDERED, SUCH ACCOUNT CURRENT SHALL CONSTITUTE AN ACCOUNT STATED AND BE DEEMED ACCEPTED BY US AND SHALL BE CONCLUSIVE AND BINDING UPON US.

7. COMMISSIONS:

A. We agree to pay to you a factoring commission equal to five tenths of a percent (.5%) of the gross face amount of each Receivable, less, with respect to each Receivable, applicable credits issued by us. Your factoring commission as so calculated shall be charged to our account effective as of the fifteenth (15th) day of the month in which the Receivable was assigned.

B. Commissions payable to you hereunder are based upon our usual and regular terms which do not exceed sixty (60) days.

C. We may from time to time request that you credit approve sales made by us to Debtors-in-Possession operating under Chapter 11 of the Bankruptcy Code ("DIP Sales"). We agree that any such credit approval by you of DIP Sales shall be subject to a supplemental factoring commission to be agreed upon by you and us in addition to the regular factoring commission charged by you, as an additional condition to your factoring of DIP Sales.

D. Each month you shall charge our account with the amount of the factoring commission provided for herein.

8. ASSIGNMENT SCHEDULES, INVOICING AND CREDITS: We will provide you with an assignment and schedule of Receivables sold and assigned to you in form satisfactory to you. All bills or invoices shall be mailed by us to our customers at our sole expense. We will give you copies of all bills or invoices, together with such proof of shipment or delivery as you may from time to time require. The issuance of or any billing by us of such bills or invoices, shall constitute an assignment thereof to you for the Receivables represented thereby, whether or not we execute any other specific instrument of assignment. Notwithstanding the foregoing, you shall be deemed not to have assumed the credit risk as provided in Section 1.B above if we do not supply you with a schedule and assignment of Receivables within ten (10) days of the creation of the Receivables involved and the risk of loss with respect to such Receivables shall be deemed to have reverted to and been assumed by us without any act upon your part to effect the same. Credits may be claimed only by the customer. All credits for full invoice amounts shall be assigned by us to you.

9. DISPUTES AND CHARGEBACKS: We hereby further warrant to you that the customer in each instance has received and will accept the merchandise sold and the bill or invoice therefor, and will pay the same as and when due without any Dispute. We will notify you promptly of, and, at our own cost and expense, including attorneys' fees and expenses, shall settle all Disputes and will pay you promptly the amount of the Receivables affected

thereby. Any Dispute not settled by us by the sixtieth (60th) day next following the maturity of the bill or invoice affected thereby may, if you so elect, be settled, compromised, adjusted or litigated by you directly with the customer or other complainant for our account and risk and upon such terms and conditions as you in your sole discretion deem advisable. In addition to all other rights to which you are entitled hereunder, whenever there is any Dispute, if any unapproved Receivable or approved Receivable of a customer having other approved Receivables then in Dispute is unpaid at its maturity, you may charge the amount of the Receivable so affected or unpaid to us at any time. In addition, you shall also be entitled to charge our account the amounts you receive in payment of any unapproved Receivable and which thereafter you are required to turn over or return to the customer or any legal representative thereof. The provisions of the foregoing sentence shall survive the termination of this Agreement, and we hereby indemnify you and hold you harmless from any loss or expense arising out of the assertion of such a claim with respect to any such unapproved Receivable, including attorneys' fees and expenses. You may charge back to our account any deduction taken by customer with respect to a Receivable sixty days after receipt of payment with respect to such Receivable. In addition, as further consideration for your entering into this Agreement, we waive any right to any payments received by you from or on behalf of our customers which neither you nor we can identify to any Receivable. Any chargeback of a Receivable shall not be deemed nor shall it constitute a reassignment to us of the Receivable affected thereby, and title thereto and to the merchandise represented thereby shall remain in you until you are fully reimbursed. Regardless of the date or dates upon which you charge back the amount of any Receivable with respect to which there is any Dispute, or the amount owing from a customer which has raised any Dispute, we agree that immediately upon the occurrence of any such Dispute, any obligation you may otherwise have had hereunder to bear the risk of loss with respect to such Receivable shall cease and such obligation shall be deemed to have reverted to, and to have been assumed by, us without any act upon your part to effect the same.

10. REMITTANCES OF FUNDS: If any remittances are made directly to us, we shall hold the same in trust for you as your property and immediately deliver to you the identical checks, monies or other forms of payment received, and you shall have the right to endorse our name on any and all checks or other forms of remittances received if such endorsement is necessary to effect collection.

11. MAINTENANCE OF RECORDS:

A. We agree that we will hold at our offices and be fully responsible to you for any and all shipping receipts evidencing delivery of goods or rendition of services regarding Receivables factored by you. Such shipping evidences held by us shall be available for your inspection and for delivery to you at your request at any time.

B. We further agree to make our records, files and books of account, including, but not limited to, any and all bills, invoices, shipping or transport documents, ledgers, journals, checkbooks, correspondence, memoranda, microfilm, microfiche, computer programs and records, source materials, tapes and discs (collectively "Documents"), available to you on request and that you may visit our premises during normal business hours to examine such Documents and to make copies or extracts thereof and to conduct such examinations as you deem necessary.

12. CERTAIN COSTS AND EXPENSES

A. If you, in your sole discretion, agree to at our request and on our behalf file a claim (a "DR Claim"), with respect to a Receivable which is not at your credit risk or forward such a DR Claim to a collection agency or attorney for collection, you shall do so only if you and we have agreed as to the terms regarding payment to you for such service or those of any collection agency or attorney to whom you may forward the DR Claim and reimbursement for expenses incurred in respect thereof and you may then charge our account in an amount equal to such agreed fees and expenses.

B. We shall be entitled to receive at no cost to us one (1) Client Detail Aged Trial Balance for each month.

C. You may modify the charges set forth in Sections 4, 7.B, 7.C and 12.A above, from time to time, on not less than sixty (60) days prior written notice.

13. TAXES: Any state, city, local or federal sales or excise taxes on sales of Receivables hereunder shall be timely paid by us, but if you should make any payment of any thereof, we will repay the same to you upon demand, and all such payments shall constitute Obligations.

14. WARRANTIES AND AGREEMENTS:

A. We hereby warrant our solvency (which warranty shall be continuing throughout the term of this Agreement) and hereby agree that we are not entitled to and shall not pledge your credit for any purpose whatsoever. We further agree that we shall not encumber or grant a lien on or security interest in Receivables or our other Collateral, other than to you without your prior written consent.

B. We agree to furnish you with balance sheets, statements of profit and loss, financial statements and such other information regarding our business affairs and financial condition as you may from time to time require, and in any event, a statement of our financial position for each fiscal year prepared and certified by our regularly engaged Certified Public Accountant. All such statements shall fairly present our financial condition as of the dates, and the results of our operations for the periods, for which the same are furnished.

C. This Agreement is the complete agreement between the parties hereto as to the subject matter hereof, all prior commitments, proposals, negotiations concerning the subject matter hereof being merged herein. This Agreement is entered into for the benefit of said parties, their successors and assigns, except that we shall not assign or hypothecate our rights under this Agreement to any other person, firm, corporation or entity without your prior written consent. This Agreement cannot be amended, changed, modified or terminated orally. We hereby consent to the assignment by you of this Agreement and your rights hereunder, including the Collateral, to any Affiliate or any other third-party. No delay or failure on your part in exercising any right, privilege or option hereunder shall operate as a waiver of such or of any other right, privilege or option, and no waiver whatever shall be valid unless in writing signed by you and then only to the extent a waiver is therein set forth.

15. DEFINITIONS: For purposes of this Agreement the following terms shall have the respective meanings given to them below:

(a) "Affiliates" shall mean any person, firm or corporation directly or indirectly controlling, controlled by or in common control with you and any corporation the stock of which is owned or controlled directly or indirectly by, or is under common control with, Republic New York Corporation.

(b) "Agreement" shall mean this Factoring Agreement, as amended, modified or supplemented.

(c) "Average Weighted Due Date of Receivables" shall mean with respect to Receivables assigned hereunder in any month, the quotient obtained by dividing the Dollar Days for such month by the Net Sales for such month, adjusted to the next calendar day, if such calculated date results in fractional days.

(d) "Business Day" shall mean any week day on which banking institutions in New York, New York are open for the transaction of ordinary banking business. If any payment or credit by you to us under this Agreement is due on a day other than a Business Day, then such payment or credit shall be made on the next Business Day.

(e) "Deposit Date" shall mean with respect to a payment on a Receivable from or on behalf of our customer made to the banking institution receiving on your behalf such payment, the date such banking institution notes on the item evidencing such payment or otherwise on its records as the date it deems such payment as having been received by it.

(f) "Dispute" shall mean any dispute, claim, offset, defense, counterclaim or any other reason for nonpayment other than a customer's financial inability to pay, whether bona fide or not, and regardless of whether the same, in part or in whole, relates to an unpaid Receivable or any other Receivable.

(g) "Dollar Days" shall mean with respect to Receivables assigned hereunder in any month, the number of days from the end of the month in which each invoice or credit is assigned to its due date (based upon longest or shortest payment terms as you may elect) multiplied by the dollar amount of each such invoice or credit, net of discounts.

(h) "Net Sales" shall mean the gross face amount of Receivables less discounts offered to, and any credits received by or allowed to our customers. In computing "Net Sales" you may in your discretion treat (1) discounts offered to our customers as having been taken by such customers on the largest discount offered to them, and (2) all discounts used in such computation also as being applicable to postage, freight, and incidental charges.

(i) "Obligations" shall mean all loans, advances, indebtedness, liabilities, debit balances, covenants and duties and all other obligations of whatever kind or nature at any time or from time to time owed by us to you or any of your Affiliates, whether fixed or contingent, due or to become due, no matter how or when arising and whether under this or any other Agreement or otherwise and including all obligations for purchases made by us from any other concern factored by you.

(i) "Receivables" (or "Receivable" in the singular) shall mean and include all accounts, and all other obligations of customers of ours arising out of the sale and delivery of goods by us (whether now existing or hereafter created) which are designated by us as being factored by you.

(k) "Republic Reference Rate" shall mean the lending rate established by Republic National Bank of New York from time

to time at its principal domestic office as its reference lending rate for domestic commercial loans.

(1) "Settlement Date" shall mean the Average Weighted Due Date of all Receivables assigned during such month plus five Business Days.

16. TERM AND EVENTS OF DEFAULT:

A. This Agreement shall continue in full force and effect from the effective date hereof unless terminated by you or unless we notify you of our desire to terminate this Agreement by giving you at least thirty (30) days' prior written notice. You shall have the right to terminate this Agreement at any time upon thirty (30) days' prior written notice. Termination shall be effective by the mailing by certified mail, return receipt requested of a letter of notice addressed by either of us to the other specifying the date of termination. Notwithstanding the foregoing, you may terminate this Agreement without notice upon the occurrence of any Event of Default. On termination for any reason, all obligations shall, unless and to the extent that you otherwise elect, become immediately due and payable without notice or demand. Any of the following events with respect to us or any guarantor of any Obligations shall constitute an "Event of Default" hereunder: default in the payment or performance of any Obligation owing to you or any of your Affiliates when due, including without limitation the failure to pay to you the amount of any net debit balance in our account and any unpaid interest thereon after demand therefor has been made; or we or any of them commit any breach of or default in the performance of any other covenant or agreement contained in this Agreement or in any other instrument or agreement with or in favor of you or your Affiliates; any representation or warranty made by us or any of them in this Agreement or in any other instrument or agreement with or in favor of you or your Affiliates shall prove to be inaccurate or untrue; any partner (if we or any of them is a partnership) shall die or otherwise withdraw from the partnership; death (if we or any of them is a natural person) or dissolution (if we or any of them is a corporation); we or any of them shall commence any case, proceeding or other action under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to us or any of them, or seeking to adjudicate us or any of them a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to us or any of them or any of their debts, or seeking appointment of a receiver, trustee, custodian or other similar official for us or any of them or for all or any substantial part of the assets of us or any of them, or we or any of them shall make a general assignment for the benefit of its creditors, or there shall be commenced against us or any of them any case, proceeding or other action of a nature referred to in this clause; there shall be commenced against us or any of them any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the assets of us or any of them which results in the entry of an order for any such relief, or we or any of them shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this clause; we or any of them shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; entry of a judgment against us or any of them; failure to pay or remit any tax when assessed or due; making a bulk transfer or sending notice of intent to do so; granting any security interest (other than to you) in the Collateral without your prior written consent; suspension or liquidation of the usual business of us or any of them; failing to furnish you with

any requested financial information or failing to permit inspection of books or records by you or any of your agents, attorneys or accountants; the occurrence of a default or event of default under any guarantee or security agreement guaranteeing or securing any obligations; we or any of them (if a corporation) shall become a party to any merger or consolidation without your prior written consent unless the surviving entity shall specifically assume our obligations hereunder and have a net worth upon the effectiveness of such merger or consolidation at least equal to ours immediately prior thereto; or control of us or any of them (if a corporation or partnership) shall change.

B. Notwithstanding any termination hereof, this Agreement shall nevertheless continue in full force and effect as to, and be binding upon us, after any termination, until we have fully paid, performed and satisfied all of the Obligations, no matter how or when arising and whether under this or any other agreement.

17. REMEDIES: Upon the occurrence of any Event of Default, you shall have all of the rights and remedies of a secured party under the Uniform Commercial Code and other applicable laws with respect to all Collateral, such rights and remedies being in addition to all of your other rights and remedies provided for herein or in any other agreement between us, and further, you may, at any time or times, after the occurrence of any such Event of Default, sell and deliver any and all other Collateral held by you or for you at public or private sale, in one or more sales or parcels, at such prices and upon such terms as you may deem best, and for cash or on credit or for future delivery, without your assumption of any credit risk, and at public or private sales, as you may deem appropriate. If reasonable notice of the time and place of such sale is required under applicable law, such requirement shall be met if any such notice is mailed, postage prepaid, to our address shown on the cover page hereof, or the last shown address in your records, at least five (5) days before the time of the sale or disposition thereof. You may be the purchaser at any sale, if it is public, free from any right of redemption, which, to the extent permitted by law, we also hereby expressly waive. The proceeds of sale shall be applied first to all costs and expenses of sale, including attorneys' fees and disbursements, and then to the payment (in such order as you may elect) of all Obligations. You will return any excess to us and we shall remain liable to you for any deficiency. Your rights and remedies under this Agreement will be cumulative and not exclusive of any other rights or remedies which you may otherwise have. The provisions of this Section 17 shall survive any termination of this Agreement.

18. APPLICABLE LAW, ARBITRATION, WAIVER OF JURY TRIAL, JURISDICTION, STATUTE OF LIMITATIONS:

A. This Agreement is made in the State of New York and shall be governed by and construed in accordance with the laws of said State, without regard to conflict of laws principles.

B. We agree that any Claim or cause of action by us against you, or any of your directors, officers, employees, agents, accountants or attorneys, based on, arising from or relating in any way to this Agreement, or any supplement or amendment hereto, or any other present or future agreement between us, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter whatsoever shall be barred unless asserted by us by the commencement of an action or proceeding in a court of competent jurisdiction by the filing of a complaint within three years

after the first act, occurrence or omission upon which such Claim or cause of action, or any part thereof, is based, and the service of a summons and complaint upon one of your officers, within thirty (30) days thereafter. We agree that said three year period is a reasonable and sufficient time for us to investigate and act upon such Claim or cause of action. Said three year period shall not be waived, tolled or extended except by specific written consent by you.

C. In performing your obligations under this Agreement, you shall be liable to us for only your negligence or willful misconduct. No person or entity shall be a third party beneficiary of any of our rights or claims under this Agreement and in particular, but not by way of limitation, you shall not be liable to any third party or for any act or omission by you or any third party including, without limitation, the inability or failure of any third party to effect a transfer in accordance with our instructions due to mechanical, computer or electrical failures or for any other reason beyond your control. You shall have no obligation to pursue, or assist us in pursuing, any claim we may have against any third party. In no event, shall you be liable for special, punitive, indirect or consequential damages, nor shall any action or inaction on your part, constitute a waiver by you of any cause of action or defense.

D. YOU AND WE EACH HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION BASED UPON, ARISING FROM, OR IN ANY WAY RELATING TO: (I) THIS AGREEMENT, OR ANY SUPPLEMENT OR AMENDMENT HERETO; OR (II) ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN YOU AND US; OR (III) ANY CONDUCT, ACTS OR OMISSIONS BY YOU OR US OR ANY OF YOUR OR OUR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH YOU OR US; IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. As a material part of the consideration to you to enter into this Agreement, we (1) agree that, at your option, all actions and proceedings based upon, arising out of or relating in any way directly or indirectly to this Agreement shall be litigated exclusively in the Supreme Court of the State of New York, County of New York, (2) consent to the jurisdiction of such court and consent to the service of process in any such action or proceeding by personal delivery, first-class mail, or any other method permitted by law, and (3) waive any and all rights to transfer or change the venue of any such action or proceeding to any other court.

E. The headings of various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions of this Agreement.

F. This Agreement and the other written documents previously or now executed in connection herewith are the entire and only agreements between us with respect to the subject matter hereof, and all oral representations, agreements and undertakings, previously or contemporaneously made, which are not set forth herein or therein, are superseded hereby and thereby. The provisions of this Section 18, shall survive any termination of this Agreement.

Very truly yours,

ATTEST:

GEORGE ALFRED WEBSTER

ROBERT A. WARD

[SEAL]

By: EXECUTIVE VICE PRESIDENT

Title:

ACCEPTED AT NEW YORK, NEW YORK

ON August 23, 1995

REPUBLIC FACTORS CORP.

By: LUANE HILLER

Title: Senior Vice President

LETTER AMENDMENT

Republic Factors Corp.
227 West Trade Street, Suite 2050
Charlotte, NC 28202
Mailing Address: Post Office Box 221679
Charlotte, NC 28222-1679
Telephone 704 358 2000

October 16, 1995

Unifi, Inc.
7201 West Friendly Avenue
PO Box 19109
Greensboro, N.C. 27419

Gentlemen:

We refer to the factoring agreement entered into between us on August 18, 1995 ("Agreement").

For mutual convenience, in lieu of providing us with physical copies of all invoices as required by the Agreement, we agree to accept a computer summary, in form satisfactory to us containing all of the pertinent information relating to each invoice as we deem appropriate.

Accordingly, pursuant to our mutual understanding, effective immediately, the Agreement shall be, and hereby is, amended to provide that until we advise you to the contrary we will accept computer summaries in lieu of physical copies of all such invoices as provided above. You agree however to retain physical copies of all such invoices and upon our request to promptly provide us with copies thereof. Your failure to provide such copies to us upon our request within a reasonable time shall entitle us to charge your account with the amount of the relevant invoice (whether said invoice was at our credit risk or not).

In addition, we shall not be responsible for any errors or omissions contained in such computer summaries and you agree to indemnify and hold us harmless from any claims, liability or expense (including reasonable attorneys fees) incurred by us as a result of any such errors and omissions.

Except as herein provided, no other change in the terms of provisions of the Agreement is intended or implied.

Kindly acknowledge your agreement to the foregoing by signing and returning

the copy of this letter.

Very truly yours,

REPUBLIC FACTORS CORP.

LARRY W. LANEY
Larry W. Laney
Senior Vice President

READ AND AGREED TO:

UNIFI, INC.

BY: ROBERT A. WARD
TITLE: EXECUTIVE VICE PRESIDENT

SEVERANCE COMPENSATION AGREEMENT

THIS AGREEMENT ("Agreement") between UNIFI, INC., a New York corporation (the "Company"), and WILLIAM T. KRETZER ("Executive") effective the 20th day of July, 1996.

WITNESSETH:

WHEREAS, WILLIAM T. KRETZER is presently the President and Chief Executive Officer of the Company, to which he was elected in 1985, and has been an Officer or Executive Officer since 1975; and

WHEREAS, the Company's Board of Directors considers the establishment and maintenance of a sound and vital Management to be essential in protecting and enhancing the best interests of the Company and its Shareholders, recognizes that the possibility of a change in control exists and that such possibility, and the uncertainty and questions which it may raise among Management, may result in the departure or distraction of Management personnel to the detriment of the Company and its Shareholders; and

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

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

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

Section 1. Term: This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the earliest of (i) three years from July 20, 1996 if a Change in Control of the Company has not occurred within such three year period; (ii) the termination of the Executive's employment with the Company based on Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)), Cause (as defined in Section 3(d)) or by the Executive other than for Good Reason (as defined in Section 3(e)); and (iii) two years from the date of a Change in Control of the Company if the Executive has not voluntarily terminated his employment for Good Reason as of such time.

Section 2. Change in Control: No compensation shall be payable under this Agreement unless and until (a) there shall have been a Change in Control of the Company, while the Executive is still an employee of the Company and (b) the Executive's employment by the Company thereafter shall have been terminated in accordance with Section 3. For purposes of this Agreement, a Change in Control of the Company shall be deemed to have occurred if (i) there shall be consummated (x) any consolidation or merger

of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (ii) the Shareholders of the Company approved any plan or proposal for the liquidation or dissolution of the Company, or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Company's outstanding Common Stock, or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's Shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.

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

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

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

(d) Cause: The Company may terminate the Executive's employment for Cause. For purposes of this Agreement only, the Company shall have "Cause" to terminate the Executive's employment hereunder only on the basis of fraud, misappropriation or embezzlement on the part of the Executive or malfeasance or misfeasance by said Executive in performing the duties of his office, as determined by the Board of Directors. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Company's Board of Directors at a meeting of the Board called and held for the purpose (after

reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth in the second sentence of this Section 3(d) and specifying the particulars thereof in detail.

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

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

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

(iii) any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, the Company's Profit Sharing Plan, group life insurance plan and medical, dental, accident and disability plans) in which the Executive is participating at the time of a Change in Control of the Company (or any other plans providing the Executive with substantially similar benefits) (hereinafter referred to as "Benefit Plans"), or the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under any such Benefit Plan or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of a Change in Control of the Company;

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

affect the Executive's participation in or materially reduce the Executive's benefits under any such Securities Plan;

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

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

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

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

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

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

(f) Notice of Termination: Any termination by the Company pursuant to Section 3(b), 3(c) or 3(d) shall be communicated by a Notice of Termination. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) Date of Termination: "Date of Termination" shall mean (a) if Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30 day period) or (b) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given to the Executive by the Company the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual agreement by the parties or upon final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected) or (c) the date the Executive notifies the Company in writing that he is terminating his employment and setting forth the Good Reason (as defined in Section 3(e)).

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

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

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

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

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

Section 6. Successor to the Company: (a) The Company will require any successor or assign (whether direct or indirect, by

purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. If at any time during the term of this Agreement the Executive is employed by any corporation a majority of the voting securities of which is then owned by the Company, "Company" as used in Sections 3, 4 and 11 hereof shall in addition include such employer. In such event, the Company agrees that it shall pay or shall cause such employer to pay any amounts owed to the Executive pursuant to Section 4 hereof.

(b) If the Executive should die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's legatee, or other designee or, if there be no such designee, to the Executive's estate. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives or attorney-in-fact, executors or administrators, heirs, distributees and legatees.

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

If to the Company:

Unifi, Inc.
P. O. Box 19109
Greensboro, NC 27419-9109

ATTENTION: Mr. William T. Kretzer
President and Chief Executive Officer

If to the Executive:

Mr. William T. Kretzer
3039 Lake Forest Drive
Greensboro, NC 27408

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

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

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

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

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

Section 10. Confidentiality: The Executive shall retain in confidence any and all confidential information known to the Executive concerning the Company and its business so long as such information is not otherwise publicly disclosed.

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

UNIFI, INC.

BY: DONALD F. ORR (SEAL)
Compensation Committee

WILLIAM T. KRETZER (SEAL)
WILLIAM T. KRETZER
President and
Chief Executive Officer

Exhibit (10o)

CREDIT AGREEMENT

Dated as of April 15, 1996

among

UNIFI, INC.
as Borrower,

THE SEVERAL LENDERS
FROM TIME TO TIME PARTY HERETO

AND

NATIONSBANK, N.A.
as Agent

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of April 15, 1996 (the

"Credit Agreement"), is by and among UNIFI, INC., a New York corporation (the "Borrower"), the several lenders identified on the signature pages hereto and such other lenders as may from time to time become a party hereto (the "Lenders") and NATIONSBANK, N.A., as agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H

WHEREAS, the Borrower has requested that the Lenders provide a \$400,000,000 5-year revolving credit facility under this Credit Agreement for the purpose of financing the redemption of certain convertible subordinated notes of the Borrower and for other general corporate purposes; and

WHEREAS, the Lenders have agreed to make the requested credit facility available to the Borrower on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1

DEFINITIONS

1.1 Definitions. As used in this Credit Agreement, the following terms shall have the meanings specified below unless the context otherwise requires:

"Agent" means NationsBank, N.A. and any successors and assigns in such capacity.

"Applicable Percentage" means, for any day, the rate per annum set forth below opposite the applicable pricing level then in effect as shown below, it being understood that the Applicable Percentage for (i) Base Rate Loans shall be the percentage set forth under the column "Base Rate Loans", (ii) Eurodollar Loans shall be the percentage set forth under the column "Eurodollar Loans", and (iii) the Facility Fee shall be the percentage set forth under the column "Facility Fee":

Pricing Level	Leverage Ratio	Base Rate Loans	Eurodollar Loans	Facility Fee
I	<1.0 to 1.0	0.00%	0.185%	0.090%
II	Less than or = 1.0 to 1.0 but <1.5:1.0	0.00%	0.225%	0.100%
III	Less than or = 1.5:1.0 but <2.5:1.0	0.00%	0.265%	0.110%
IV	Less than or = 2.5:1.0 but <3.0:1.0	0.00%	0.300%	0.125%
V	Less than or = 3.0:1.0	0.00%	0.350%	0.150%

The Applicable Percentage shall, in each case, be determined and adjusted quarterly by the Agent as soon as practicable (but in any event within 5 days) after delivery of the annual financial information required by Section 5.1(a) or the quarterly financial information required by Section 5.1(b), provided that the date of determination and adjustment shall not be later than the date 5 days after the date by which the Borrower is required to provide such quarterly financial information in accordance with Section 5.1(b) (each an "Interest Determination Date") based on the information contained in such quarterly financial information. Such Applicable Percentage shall be effective from such Interest Determination Date until the next such Interest Determination Date. The Agent shall determine the appropriate Pricing Level promptly upon its receipt of the quarterly financial information and promptly notify the Borrower and the Lenders of any change thereof. Such determinations by the Agent shall be conclusive absent manifest error. The initial Applicable Percentages shall be based on Pricing Level I until the first Interest Determination Date occurring after the Closing Date.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Base CD Rate" means a per annum interest rate (rounded upwards, if necessary, to the next 1/16 of 1%) determined pursuant to the following formula:

$$\text{Base CD Rate} = \frac{\text{Three Month Secondary CD Rate}}{1 - \text{CD Reserve Percentage}} + \text{CD Assessment Rate}$$

"Base Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest whole multiple of 1/100 of 1%) equal to the greater of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1%, (b) the Base CD Rate in effect on such day plus 1/2 of 1%, or (c) the Prime Rate in effect on such day. If for any reason the Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable after due inquiry to ascertain the Federal Funds Rate or the Base CD Rate for any reason, including the inability or failure of the Agent to obtain sufficient quotations in accordance with the terms hereof, the Base Rate shall be determined without regard to clause (a) or (b), as applicable, of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Rate, respectively.

"Base Rate Loan" means any Loan bearing interest at a rate determined by reference to the Base Rate.

"Borrower" means Unifi, Inc., a New York corporation, as identified as such in the heading hereof, together with any successors and permitted assigns.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina and New York, New York are authorized or required by law to close, except that, when used in connection with a Eurodollar Loan, such day shall also be a day on which dealings between banks are carried on in U.S. dollar deposits in London, England, Charlotte, North Carolina and New York, New York.

"Capital Expenditures" means all expenditures which in accordance with GAAP would be classified as capital expenditures, including Capital Lease Obligations.

"Capital Lease" means any lease of property, real or personal, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee in accordance with GAAP.

"Capital Lease Obligations" means the capital lease obligations relating to a Capital Lease determined in accordance with GAAP.

"CD Assessment Rate" means, for any day, the net annual assessment rate (rounded upward to the nearest 1/100th of 1%) determined by NationsBank to be payable on such day to the Federal Deposit Insurance Corporation or any successor ("FDIC") for FDIC's insuring time deposits made in Dollars at the offices of NationsBank in the United States.

"CD Reserve Percentage" means, for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor), for determining the maximum reserve requirement for a member bank of the Federal Reserve System in Charlotte, North Carolina with deposits exceeding one billion Dollars in respect of non-personal time deposits in Dollars in Charlotte, North Carolina having a maturity of three months in an amount of \$100,000 or more.

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"Commitment" means, as to each Lender, the commitment of such Lender to make its Commitment Percentage of Committed Loans up to its Committed Amount.

"Commitment Percentage" means, for each Lender, a fraction (expressed as a percentage) the numerator of which is the Committed Amount of such Lender at such time and the denominator of which is the Total Committed Amount, provided that if the Commitment Percentage of any Lender is to be determined after the Commitments have been terminated, then the Commitment Percentage of such Lender shall be determined immediately prior (and without giving effect) to such termination.

"Committed Amount" means, as to each Lender, the maximum amount of such Lender's Commitment as identified on Schedule 2.1(a).

"Committed Loans" means such term as defined in Section 2.1.

"Committed Note" or "Committed Notes" means the promissory notes of the Borrower in favor of each of the Lenders evidencing the Committed Loans provided pursuant to Section 2.1(e), individually or collectively, as appropriate, as such promissory notes may be amended, modified, supplemented, extended, renewed or replaced from time to time.

"Competitive Bid" means an offer by a Lender to make a Competitive Bid Loan pursuant to the terms of Section 2.2.

"Competitive Bid Lenders" means, at any time, those Lenders which have Competitive Bid Loans outstanding.

"Competitive Bid Loan" means a loan made by a Lender in its discretion pursuant to the provisions of Section 2.2.

"Competitive Bid Note" or "Competitive Bid Notes" means the promissory notes of the Borrower in favor of each of the Lenders evidencing the Competitive Bid Loans, if any, provided pursuant to Section 2.2(i), individually or collectively, as appropriate, as such promissory notes may be amended, modified, supplemented, extended, renewed or replaced from time to time.

"Competitive Bid Rate" means, as to any Competitive Bid made by a Lender in accordance with the provisions of Section 2.2, the fixed rate of interest offered by the Lender making the Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with the provisions of Section 2.2.

"Consolidated Capital Expenditures" means Capital Expenditures for the Borrower and its Subsidiaries on a consolidated basis.

"Consolidated EBITDA" means, for any period, the sum of Consolidated Net Income plus Consolidated Interest Expense plus all provisions for any Federal, state or other income taxes plus depreciation, amortization and other non-cash charges, for the Borrower and its Subsidiaries on a consolidated basis as determined in accordance with GAAP applied on a consistent basis. Except as otherwise specified, the applicable period shall be for the four consecutive quarters ending as of the date of determination.

"Consolidated Funded Debt" means Funded Debt of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP applied on a consistent basis.

"Consolidated Interest Expense" means, for any period, all interest expense, including the amortization of debt discount and premium and the interest component under Capital Leases for the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP applied on a consistent basis. Except as otherwise specified, the applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Consolidated Net Income" means, for any period, the net income of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP applied on a consistent basis. Except as otherwise specified, the applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Consolidated Net Worth" means total stockholders' equity for the Borrower and its Subsidiaries on a consolidated basis as determined at a particular date in accordance with GAAP applied on a consistent basis.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Credit Agreement" means this Credit Agreement.

"Credit Documents" means this Credit Agreement and the Notes.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that, at such time (a) has failed to make a Loan required pursuant to the term of this Credit Agreement (b) has failed to pay to the Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official.

"Dollars" and "\$" means dollars in lawful currency of the United States of America.

"Environmental Laws" means any and all lawful and applicable Federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower and which is treated as a single employer under Sections 414(b), (c), (m), or (o) of the Code.

"Eurodollar Loan" means any Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"Eurodollar Rate" means, for the Interest Period for each Eurodollar Loan comprising part of the same borrowing (including conversions, extensions and renewals), a per annum interest rate determined pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR Rate}}{1 - \text{Eurodollar Reserve Percentage}}$$

"Eurodollar Reserve Percentage" means for any day, that percentage (expressed as a decimal) which is in effect from time to time under Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as such regulation may be amended from time to time or any successor regulation, as the maximum reserve requirement for the Agent (including, without limitation, any basic, supplemental, emergency, special, or

marginal reserves) applicable with respect to Eurocurrency liabilities as that term is defined in Regulation D (or against any other category of liabilities that includes deposits by reference to which the interest rate of Eurodollar Loans is determined). The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage. The Agent will promptly notify the Borrower of any change in the Eurodollar Reserve Percentage of which it becomes aware.

"Event of Default" means such term as defined in Section 6.1.

"Facility Fee" means such term as defined in Section 2.6.

"Federal Funds Rate" means, for any day, the rate of interest per annum (rounded upwards, if necessary, to the nearest whole multiple of 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (A) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day and (B) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Agent on such day on such transactions as determined by the Agent.

"Funded Debt" means, for any Person, (i) all Indebtedness of such Person for borrowed money (including without limitation, indebtedness evidenced by promissory notes, bonds, debentures and similar instruments and further any portion of the purchase price for assets or acquisitions permitted hereunder which may be financed by the seller and Guaranty Obligations by such Person of Funded Debt of other Persons), (ii) all purchase money Indebtedness of such Person, (iii) the principal portion of Capital Lease Obligations, (iv) the maximum amount available to be drawn under standby letters of credit and bankers' acceptances issued or created for the account of such Person, (v) all preferred stock issued by such Person and required by the terms thereto to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date, (vi) the aggregate amount of Indebtedness and other obligations owing on or in respect of uncollected accounts receivable of such Person subject at such time to a sale of receivables (or other similar transaction but excluding factoring arrangements of the type engaged in by the Borrower as of the Closing Date) regardless of whether such transaction is effected without recourse to such Person or in a manner which would not be reflected on the balance sheet of such Person in accordance with GAAP (including Permitted Receivables Financings) and (vii) all obligations of such Person under synthetic leases or other off-balance sheet financing arrangements. Funded Debt shall include payments in respect of Funded Debt which constitute current liabilities of the obligor under GAAP.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to Section 1.3 hereof.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person

(other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

"Indebtedness" means, of any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person under Capital Leases, (d) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, (f) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (g) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (h) all Guaranty Obligations of such Person, (i) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements, (j) the maximum amount of all letters of credit issued or bankers' acceptances created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent not theretofore reimbursed), (k) all preferred stock issued by such Person and required by the terms thereto to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date, (l) all other obligations which would be shown as a liability on the balance sheet of such Person (m) the aggregate amount of indebtedness or obligations owing on or in respect of uncollected accounts receivable of such Person subject at such time to a sale of receivables (or other similar transaction but excluding factoring arrangements of the type engaged in by the Borrower as of the Closing Date) regardless of whether such transaction is effected without recourse to such Person or in a manner which would not be reflected on the balance sheet of such Person in accordance with GAAP and (n) all obligations of such Person under synthetic leases or other off-balance sheet financing arrangements; but specifically excluding from the foregoing trade payables and other expenses and reserves (whether classified as long term or short term) arising or incurred in the ordinary course of business. For purposes hereof, Indebtedness shall include Indebtedness of any partnership in which such Person is a general partner (except for any such Indebtedness with respect to which

the holder is limited to the assets of such partnership or joint venture).

"Interest Coverage Ratio" means the ratio of (i) Consolidated EBITDA minus Consolidated Capital Expenditures for the applicable period, to (ii) Consolidated Interest Expense. Except as otherwise specified, the applicable period shall be for the four consecutive quarters ending as of the date of computation.

"Interest Payment Date" means (i) as to any Base Rate Loan, the last day of each March, June, September and December and the Termination Date, (ii) as to any Eurodollar Loan or any Competitive Bid Loan, the last day of each Interest Period for such Loan and on the Termination Date, and in addition where the applicable Interest Period is more than 3 months, then also on the date 3 months from the beginning of the Interest Period, and each 3 months thereafter. If an Interest Payment Date falls on a date which is not a Business Day, such Interest Payment Date shall be deemed to be the next succeeding Business Day, except that in the case of Eurodollar Loans where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day.

"Interest Period" means (i) with respect to any Eurodollar Loan, a period of one, two, three or six months duration, as the Borrower may elect, commencing in each case on the date of the borrowing (including extensions and conversions) and (ii) with respect to any Competitive Bid Loan, a period beginning on the date of borrowing and ending on the date specified in the respective Competitive Bid whereby the offer to make such Competitive Bid Loan was extended, which, except with regards to any Accommodating Competitive Bid Loan, shall be not less than 7 days nor more than 180 days' duration; provided, however, (A) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that in the case of Eurodollar Loans where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (B) no Interest Period shall extend beyond the Termination Date, and (C) in the case of Eurodollar Loans, where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall, subject to clause (A) above, end on the last Business Day of such calendar month.

"Lenders" means each of the Persons identified as a "Lender" on the signature pages hereto, and each Person which may become a Lender by way of assignment in accordance with the terms hereof, together with their successors and permitted assigns.

"Leverage Ratio" means the ratio of Consolidated Funded Debt to Consolidated EBITDA.

"LIBOR Rate" means, for any Interest Period, the interest rate per annum equal to the offered rate for deposits in United States dollars (rounded to four decimal places) in amounts comparable to the principal amount of, and for a length of time comparable to the Interest Period for, the Eurodollar Loan to be made by the Lenders, which interest rate appears on the Telerate Page 3750 as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period; provided, however, that (i) if more than one such offered rate appears on Telerate Page 3750, the LIBOR Rate shall be the arithmetic average (rounded to four decimal places) of such offered rates, or (ii) if no such offered rate appears on such page, the LIBOR

Rate shall be the interest rate per annum (rounded to four decimal places) at which United States dollar deposits are offered to NationsBank in the London interbank borrowing market at approximately 11:00 a.m. (Charlotte, North Carolina time) on the date two (2) Business Days prior to the first day of such Interest Period in an amount comparable to the principal amount of, and for a length of time comparable to the Interest Period for, the Eurodollar Loan to be made by the Lenders.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Loan" or "Loans" means a Committed Loan and/or a Competitive Bid Loan, as appropriate.

"Material Adverse Effect" means a material adverse effect on (i) the condition (financial or otherwise), operations, business, assets, liabilities or prospects of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform any material obligation under the Credit Documents or (iii) the material rights and remedies of the Lenders under the Credit Documents.

"Multiemployer Plan" means a Plan which is a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA.

"Multiple Employer Plan" means a Plan which the Borrower, any of its Subsidiaries or any ERISA Affiliate and at least one employer other than the Borrower, its Subsidiaries or any ERISA Affiliate are contributing sponsors.

"NationsBank" means NationsBank, N.A. and its successors.

"Non-Excluded Taxes" means such term as defined in Section 2.11(a).

"Note" or "Notes" means the Committed Notes and/or the Competitive Bid Notes, collectively, separately or individually, as appropriate.

"Notice of Borrowing" means the written notice of borrowing as referenced and defined in Section 2.1(b)(i).

"Notice of Extension/Conversion" means the written notice of extension or conversion of a Loan in accordance with Section 2.4, a form of which is attached as Schedule 2.4.

"Obligations" means, with respect to any or all of the Lenders, the unpaid principal of, and the accrued and unpaid interest on, the Loans, all accrued and unpaid Commitment Fees and all other unsatisfied obligations of the Borrower arising under any of the Credit Documents, including without limitation under Sections 2.10, 2.11 and 2.12.

"Participation Interest" means the purchase by a Lender of a participation in Committed Loans as provided in Section 2.14.

"PBGCC" means the Pension Benefit Guaranty

Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereof.

"Permitted Liens" means

(a) Liens created by or otherwise existing, under or in connection with this Credit Agreement or the other Credit Documents in favor of the Lenders;

(b) Liens in favor of a Lender hereunder as the provider of interest rate protection relating to the Loans hereunder, but only (i) to the extent such Liens secure obligations under such interest rate protection agreements permitted under Section 5.10, (ii) to the extent such Liens are on the same collateral as to which the Lenders also have a Lien and (iii) if such provider and the Lenders shall share pari passu in the collateral subject to such Liens;

(c) Liens securing Indebtedness (and refinancings thereof) to the extent permitted under Section 5.10(c);

(d) Liens securing Permitted Receivables Financings to the extent permitted under Section 5.10;

(e) Liens for taxes, assessments, charges or other governmental levies not yet due or as to which the period of grace (not to exceed 60 days), if any, related thereto has not expired or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(f) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(g) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

(h) deposits to secure the performance of bids, trade contracts, (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(i) any extension, renewal or replacement (or successive extensions, renewals or replacements) , in whole or in part, of any Lien referred to in the foregoing clauses; provided that such extension, renewal or replacement Lien shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(j) easements, rights of way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not material in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any Subsidiary;

(k) leases and subleases otherwise permitted hereunder granted to others not interfering in any material respect in the business of the Borrower or any Subsidiary; and

(1) attachment or judgment Liens, where the attachment or judgment which gave rise to such Liens does not constitute an Event of Default hereunder.

"Permitted Receivables Financing" means any one or more receivables financings (including factoring arrangements, securitizations and similar structured finance transactions) involving the sale by the Borrower or any of its Subsidiaries of accounts or other receivables, whether or not pursuant to true sales transactions (as determined in accordance with GAAP).

"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated) or any Governmental Authority.

"Plan" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"Prime Rate" means the per annum rate of interest established from time to time by the Agent at its principal office in Charlotte, North Carolina as its Prime Rate. Any change in the interest rate resulting from a change in the Prime Rate shall become effective as of 12:01 a.m. of the Business Day on which each change in the Prime Rate is announced by the Agent. The Prime Rate is a reference rate used by the Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged on any extension of credit to any debtor.

"Replaced Lender" means such term as defined in Section 2.16. "Replacement Lender" means such term as defined in Section 2.16.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the post-event notice requirement is waived under subsections .13, .14, .18, .19, or .20 of PBGC Reg. Section 2615.

"Required Lenders" means, at any time, two or more Lenders having collectively at least fifty-one percent (51%) of the Commitments or, if the Commitments have been terminated, two or more Lenders holding collectively at least fifty-one percent (51%) of the aggregate unpaid principal amount of the Notes; provided that the Commitments of, or unpaid principal amount of Notes owing to, a Defaulting Lender shall be excluded for purposes hereof in making a determination of Required Lenders.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its material property.

"Responsible Officer" means the President, Executive Vice President, Chief Financial Officer, Treasurer or Assistant Treasurer of the Borrower.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Subject Property" means such term as defined in Section 4.12.

"Subsidiary" means, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, limited liability company, association, joint venture or other entity in which such person directly or indirectly through Subsidiaries has more than 50% equity interest at any time. Unless otherwise specified, any reference to a Subsidiary is intended as a reference to a Subsidiary of the Borrower.

"Termination Date" means, with respect to any Lender at any time, the earlier of (i) the day five (5) years after the date of this Credit Agreement and (ii) the day on which the Commitments shall have been reduced to zero and terminated in whole pursuant to the terms hereof.

"Termination Event" means (i) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (ii) the withdrawal of the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (iii) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (iv) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; or (vi) the complete or partial withdrawal of the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate from a Multiemployer Plan.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect for such day (or, if such day shall not be a Business Day, the immediately preceding Business Day) by the Board of Governors of the Federal Reserve System (the "Board") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board of Governors of the Federal Reserve System, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such immediately preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks received at approximately 10:00 A.M., Charlotte North Carolina time, on such day, (or, if such day shall not be a Business Day, on the immediately preceding Business Day) by the Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Total Committed Amount" means the aggregate Committed Amounts of all the Lenders, being initially \$400,000,000.

"U.S. Tax Compliance Certificate" means such term as defined in Section 2.11(b)(Y).

1.2 Computation of Time Periods. For purposes of computation of of time hereunder, the word "from" means "from and including" and the "to" and "until" each mean "to but excluding."

1.3 Accounting Terms. Except as otherwise expressly provided herein, accounting terms used herein shall be interpreted, and all financial and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 5.1 hereof (or, prior to the delivery of the first financial statements pursuant to Section 5.1 hereof, consistent with the financial statements as at December 24, 1995 referenced in Section 4.1); provided, however, if (a) the Borrower shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in GAAP or the rules promulgated with respect thereto or (b) the Agent or the Required Lenders shall so object in writing within 30 days after delivery of such financial statements, then such calculations shall be made on a basis consistent with the most recent financial statements delivered by the Borrower to the Lenders as to which no such objection shall have been made.

SECTION 2

THE CREDIT FACILITIES

2.1 Revolving Loans.

(a) Commitment. Subject to the terms and conditions of this Credit Agreement, each Lender severally agrees to make revolving loans ("Committed Loans") to the Borrower from time to time during the period from the date hereof to the Termination Date in an aggregate principal amount not to exceed such Lender's Commitment at any time in effect; provided, however, that (A) with regard to each Lender individually, such Lender's Committed Loans shall not exceed its Committed Amount and (B) with regard to the Lenders collectively, the aggregate amount of Committed Loans plus the aggregate amount of Competitive Bid Loans shall not exceed the Total Committed Amount. Committed Loans may consist of Base Rate Loans or Eurodollar Loans, or a combination thereof, as the Borrower may request, and may be repaid and reborrowed in accordance with the provisions hereof; provided, however that no more than six (6) Eurodollar Loans shall be outstanding hereunder at any time.

(b) Committed Loan Borrowings.

(i) Notice of Borrowing. The Borrower shall request a Committed Loan borrowing by written notice (or telephone notice promptly confirmed in writing) to the Agent not later than 11:00 A.M. (Charlotte, North Carolina time) on the Business Day of the requested borrowing in the case of Base Rate Loans, and on the second Business Day prior to the date of the requested borrowing in the case of Eurodollar Loans. Each such request for borrowing shall be irrevocable and shall specify (A) that a Committed Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed, and (D) whether the borrowing shall be comprised of Base Rate Loans, Eurodollar Loans or a combination thereof, and if Eurodollar Loans are requested, the Interest Period(s) therefor. A form of Notice of Borrowing (a "Notice of Borrowing") is attached as Schedule 2.1(b)(i). If the Borrower shall fail to specify in any such Notice of Borrowing

(I) an applicable Interest Period in the case of a Eurodollar Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Committed Loan requested, then such notice shall be deemed to be a request for a Base Rate Loan hereunder. The Agent shall give notice to each Lender promptly upon receipt of each Notice of Borrowing, the contents thereof and each such Lender's share thereof.

(ii) Minimum Amounts. Each Committed Loan borrowing shall be in a minimum aggregate amount of \$2,500,000 and integral multiples of \$1,000,000, in the case of Eurodollar Loans and \$500,000 in the case of Base Rate Loans, in excess thereof (or the remaining amount of the Total Committed Amount, if less).

(iii) Advances. Each Lender will make its Commitment Percentage of each Committed Loan borrowing available to the Agent for the account of the Borrower at the office of the Agent specified in Schedule 2.1(a), or at such other office as the Agent may designate in writing, by 1:00 P.M. (Charlotte, North Carolina time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Agent. Such borrowing will then be made available to the Borrower by the Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Agent by the Lenders and in like funds as received by the Agent.

(c) Repayment. The principal amount of all Committed Loans shall be due and payable in full on the Termination Date.

(d) Interest. Subject to the provisions of Section 2.3, Committed Loans shall bear interest at a per annum rate equal to:

(i) Base Rate Loans. During such periods as Committed Loans shall be comprised of Base Rate Loans, the sum of the Base Rate plus the Applicable Percentage; and

(ii) Eurodollar Loans. During such periods as Committed Loans shall be comprised of Eurodollar Loans, the sum of the Eurodollar Rate plus the Applicable Percentage.

Interest on Committed Loans shall be payable in arrears on each Interest Payment Date.

(e) Committed Notes. The Committed Loans made by each Lender shall be evidenced by a duly executed promissory note of the Borrower to each Lender substantially in the form of Schedule 2.1(e).

2.2 Competitive Bid Loan Subfacility.

(a) Competitive Bid Loans. Subject to the terms and conditions of this Credit Agreement, the Borrower may, from time to time during the period from the date hereof to the Termination Date, request and each Lender may, in its sole discretion, agree to make, Competitive Bid Loans to the Borrower; provided that the sum of the aggregate amount of Competitive Bid Loans plus the aggregate amount of Committed Loans shall not exceed the Total Committed Amount. Each Competitive Bid Loan shall be in a minimum aggregate principal amount of \$2,500,000 and multiples of \$1,000,000 in excess thereof.

(b) Competitive Bid Requests. The Borrower may solicit Competitive Bids by delivery of a Competitive Bid Request substantially in the form of Schedule 2.2(b)-1 to the Agent by

12:00 Noon (Charlotte, North Carolina time) on the second Business Day prior to the date of the requested Competitive Bid Loan borrowing in the case of all other Competitive Bid Requests; provided however that in no event may a Competitive Bid Request be submitted more than four (4) Business Days prior to the date of a requested Competitive Bid Loan borrowing. A Competitive Bid Request shall specify (i) the date of the requested Competitive Bid Loan borrowing (which shall be a Business Day), (ii) the amount of the requested Competitive Bid Loan borrowing and (iii) the applicable Interest Periods requested. The Agent shall, promptly following its receipt of a Competitive Bid Request notify the Lenders of its receipt and the contents thereof. A form of such notice is provided in Schedule 2.2(b)-2. No more than three (3) Competitive Bid Requests shall be submitted at any one time (e.g., the Borrower may request Competitive Bids for no more than three (3) different Interest Periods at a time) and Competitive Bid Requests may be made no more frequently than once every five (5) Business Days. The Borrower shall make payment to the Agent of a fee in the amount of \$3,500 concurrently with delivery of any Competitive Bid Request (whether or not any Competitive Bid is offered by a Lender, accepted by the Borrower or extended by the offering Lender pursuant thereto).

(c) Competitive Bid Procedure. Each Lender may, in its sole discretion, make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid must be received by the Agent not later than 10:00 A.M. (Charlotte, North Carolina time) on the Business Day next succeeding the date of receipt by such Lender of the related Competitive Bid Request. A Lender may offer to make all or part of the requested Competitive Bid Loan borrowing and may submit multiple Competitive Bids in response to a Competitive Bid Request. The Competitive Bid shall specify (i) the particular Competitive Bid Request as to which the Competitive Bid is submitted, (ii) the minimum (which shall be not less than \$1,000,000 and integral multiples thereof) and maximum principal amounts of the requested Competitive Bid Loan or Loans as to which the Lender is willing to make, and (iii) the applicable interest rate or rates and Interest Period or Periods therefor. A form of such Competitive Bid is provided in Schedule 2.2(c). A Competitive Bid submitted by a Lender in accordance with the provisions hereof shall be irrevocable. The Agent shall promptly notify the Borrower of all Competitive Bids made and the terms thereof and shall send a copy of each of the Competitive Bids to the Borrower for its records as soon as practicable.

(d) Submission of Competitive Bids by Agent. If the Agent, in its capacity as a Lender, elects to submit a Competitive Bid in response to the related Competitive Bid Request, it shall submit such Competitive Bid directly to the Borrower one-half of an hour earlier than the latest time at which the other Lenders are required to submit their Competitive Bids to the Agent in response to such Competitive Bid Request pursuant to the terms of subsection (c) above.

(e) Acceptance of Competitive Bids. The Borrower may, in its sole and absolute discretion, subject only to the provisions of this subsection (e), accept or reject any Competitive Bid offered to it. To accept a Competitive Bid, the Borrower shall give written notification (or telephone notice promptly confirmed in writing) substantially in the form of Schedule 2.2(e) of its acceptance of any or all such Competitive Bids. Such notification must be received by the Agent not later than 11:00 A.M. (Charlotte, North Carolina time) on the date on which notice of election to make a Competitive Bid is to be given by the Lenders pursuant to the terms of subsection (c) above; provided, however, (i) the failure by the Borrower to give timely notice of its acceptance of a Competitive Bid shall be deemed to

be a rejection thereof, (ii) the Borrower may accept Competitive Bids only in ascending order of rates, (iii) the aggregate amount of Competitive Bids accepted by the Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) the Borrower may accept a portion of a Competitive Bid in the event, and to the extent, acceptance of the entire amount thereof would cause the Borrower to exceed the principal amount specified in the related Competitive Bid Request, subject however to the minimum amounts provided herein (and provided that where two or more Lenders submit a Competitive Bid at the same Competitive Bid Rate, then the Borrower shall accept portions of the Competitive Bids of such Lenders on a pro rata basis based upon the amount of the Competitive Bids of such Lenders) and (v) no bid shall be accepted for a Competitive Bid Loan unless such Competitive Bid Loan is in a minimum principal amount of \$1,000,000 and integral multiples thereof, except that where a portion of a Competitive Bid is accepted in accordance with the provisions of subsection (iv) hereof, then in a minimum principal amount of \$100,000 and integral multiples thereof (but not in any event less than the minimum amount specified in the Competitive Bid), and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to subsection (iv) hereof, the amounts shall be rounded to integral multiples of \$100,000 in a manner which shall be in the discretion of the Borrower. A notice of acceptance of a Competitive Bid given by the Borrower in accordance with the provisions hereof shall be irrevocable. The Agent shall, not later than 12:00 Noon (Charlotte, North Carolina time) on the date of receipt by the Agent of a notification from the Borrower of its acceptance and/or rejection of Competitive Bids, notify each Lender of its receipt and the contents thereof. Upon its receipt from the Agent of notification of the Borrower's acceptance of its Competitive Bid(s) in accordance with the terms of this subsection (e), each successful bidding Lender will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Bid Loan in respect of which its bid has been accepted.

(f) Funding of Competitive Bid Loans. Each of which is to make a Competitive Bid Loan shall make its Competitive Bid Loan borrowing available to the Agent for the account of the Borrower (in Dollars and in funds immediately available to the Agent) at the office of the Agent specified in Schedule 2.1(a), or at such other office as the Agent may designate in writing, by 1:30 P.M. (Charlotte, North Carolina time) on the date specified in the Competitive Bid Request. Such borrowing will then be made available to the Borrower by crediting the account of the Borrower on the books of such office with the aggregate of the amount made available to the Agent by the applicable Competitive Bid Lenders and in like funds as received by the Agent.

(g) Maturity of Competitive Bid Loans. Each Competitive Bid Loan shall mature and be due and payable in full on the last day of the Interest Period applicable thereto. Unless the Borrower shall give notice to the Agent otherwise, the Borrower shall be deemed to have requested a Committed Revolving Loan borrowing in the amount of the maturing Competitive Bid Loan, the proceeds of which will be used to repay such Competitive Bid Loan.

(h) Interest on Competitive Bid Loans. Subject to the provisions of Section 2.3, Competitive Bid Loans shall bear interest for the benefit of the applicable Competitive Bid Lender in each case at the Competitive Bid Rate applicable thereto. Interest on Competitive Bid Loans shall be payable in arrears on each Interest Payment Date.

(i) Competitive Bid Loan Notes. The Competitive Bid Loans shall be evidenced by a duly executed promissory note of the Borrower to each Lender in an original principal amount equal to the Total Committed Amount and substantially in the form of Schedule 2.2(i).

2.3 Default Rate. Overdue principal and, to the extent permitted by law overdue interest in respect of each Loan and any other overdue amount payable hereunder or under the other Credit Documents hereunder or under the other Credit Documents shall bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable (or if no rate is applicable, whether in respect of interest, fees or other amounts, then 2% greater than the Base Rate).

2.4 Extension and Conversion. The Borrower shall have the option, on any Business Day prior to the Termination Date, to extend existing Loans into a subsequent permissible Interest Period or to convert Loans into Loans of another type; provided, however, that (i) except as provided in Section 2.9, Eurodollar Loans may be converted into Base Rate Loans only on the last day of the Interest Period applicable thereto, (ii) Eurodollar Loans may be extended, and Base Rate Loans may be converted into Eurodollar Loans, only if no Default or Event of Default is in existence on the date of extension or conversion, (iii) Loans extended as, or converted into, Eurodollar Loans shall be subject to the terms of the definition of "Interest Period" set forth in Section 1.1 and shall be in such minimum amounts as provided in Section 2.1(b)(ii), and (iv) any request for extension or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month. Each such extension or conversion shall be effected by the Borrower by giving a Notice of Extension/Conversion (or telephone notice promptly confirmed in writing) to the Agent prior to 11:00 A.M. (Charlotte, North Carolina time) on the Business Day of, in the case of the conversion of a Eurodollar Loan into a Base Rate Loan, and on the second Business Day prior to, in the case of the extension of a Eurodollar Loan as, or conversion of a Base Rate Loan into, a Eurodollar Loan, the date of the proposed extension or conversion, specifying the date of the proposed extension or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. Each request for extension or conversion shall constitute a representation and warranty by the Borrower of the matters specified in subsections (b), (c) and (d) of Section 3.2. In the event the Borrower fails to request extension of or conversion into any Eurodollar Loan in accordance with this Section, or any such conversion or extension is not permitted or required by this Section, then such Loans shall be automatically converted into Base Rate Loans at the end of their Interest Period. The Agent shall give each Lender notice as promptly as practicable of any such proposed extension or conversion affecting any Loan.

2.5 Reductions in Commitments and Prepayments.

(a) Termination of Commitments Generally. The Borrower may at any time, upon not less than five (5) Business Days' written notice to the Agent, terminate the Commitments, in whole or in part; provided that (i) the Commitments shall not be terminated to an amount less than the sum of the aggregate amount of Competitive Bid Loans plus the aggregate amount of Committed Loans and (ii) partial terminations shall be in a minimum principal amount of \$10,000,000 and multiples of \$1,000,000 in excess thereof. Partial terminations in the Commitments will serve to reduce each of the Lenders' respective Committed Amount

ratably in accordance with the provisions of Section 2.13(a). Terminations of the Commitments, in whole or in part, pursuant to this subsection (a) are permanent and may not be reinstated.

(b) Voluntary Prepayments. The Borrower may prepay the Loans, in whole or in part; provided that (i) Committed Loans which are Eurodollar Loans and Competitive Bid Loans may be prepaid only with three (3) Business Days' prior written notice (or telephone notice promptly confirmed in writing) to the Agent and any such prepayment of Committed Loans which are Eurodollar Loans and Competitive Bid Loans shall be accompanied by any amounts owing under Section 2.12 on account thereof, and (ii) partial prepayments shall be in a minimum principal amount of \$2,500,000 and multiples of \$1,000,000 in excess thereof. Amounts paid under this subsection (b) shall be applied as the Borrower may direct, or if the Borrower shall fail to make any such direction, first to Committed Loans which are Base Rate Loans, second to Committed Loans which are Eurodollar Loans in direct order of Interest Period maturities and third to Competitive Bid Loans in direct order of Interest Period maturities. Amounts paid under this subsection (b) may be reborrowed in accordance with the provisions of this Credit Agreement. A form of Notice of Voluntary Prepayment is provided as Schedule 2.5(b).

(c) Mandatory Prepayments. If at any time the sum of the aggregate amount of Competitive Bid Loans plus the aggregate amount of Committed Loans shall exceed the Total Committed Amount, the Borrower shall immediately make payment on the Loans in an amount sufficient to eliminate the deficiency. Amounts paid under this subsection (c) shall be applied as the Borrower may direct, or if the Borrower shall fail to make any such direction, first to Committed Loans which are Base Rate Loans, second to Committed Loans which are Eurodollar Loans in direct order of Interest Period maturities and third to Competitive Bid Loans in direct order of Interest Period maturities.

(d) Notice. In the case of voluntary prepayments under subsection (b) hereof, the Borrower will give notice to the Agent of its intent to make such a prepayment by 11:00 A.M. (Charlotte, North Carolina time) three (3) Business Days', in the case of Committed Loans which are Eurodollar Loans and Competitive Bid Loans, and one (1) Business Day prior, in all other cases, prior to the date of prepayment.

2.6 Facility Fee. In consideration of the Commitments by the Lenders hereunder, the Borrower agrees to pay to the Agent for the ratable benefit of the Lenders a facility fee (the "Facility Fee") equal to the Applicable Percentage per annum on the Total Committed Amount in effect from time to time for the applicable period. The Facility Fee shall accrue from the date hereof and shall be payable quarterly in arrears on the last day of each calendar quarter.

2.7 Capital Adequacy. If, after the date hereof, any Lender has determined that the adoption or effectiveness of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or assets as a consequence of its commitments or obligations hereunder (after taking into account any resulting increase in the Eurodollar Rate

due to any increase in the Eurodollar Reserve Percentage) to a level below that which such Lender could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy), then, upon notice from such Lender, the Borrower shall pay to such Lender, without duplication, such additional amount or amounts as will compensate such Lender for such reduction. Each determination by any such Lender of amounts owing under this Section shall, absent manifest error, be conclusive and binding on the parties hereto.

2.8 Inability To Determine Interest Rate. If prior to the first day of any Interest Period, the Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, the Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. If such notice is given (i) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (ii) any Loans that were to have been converted on the first day of such Interest Period to or continued as Eurodollar Loans shall be converted to or continued as Base Rate Loans and (iii) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to Base Rate Loans. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Base Rate Loans to Eurodollar Loans.

2.9 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Credit Agreement, (a) such Lender shall promptly give written notice of such circumstances to the Borrower and the Agent (which notice shall be withdrawn whenever such circumstances no longer exist), (b) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert a Base Rate Loan to Eurodollar Loans shall forthwith be canceled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Eurodollar Loans, such Lender shall then have a commitment only to make a Base Rate Loan when a Eurodollar Loan is requested and (c) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days or the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 2.12.

2.10 Requirements of Law. If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof applicable to any Lender, or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority, in each case made subsequent to the Closing Date (or, if later, the date on which such Lender becomes a Lender): (i) shall subject such Lender to any tax of any kind whatsoever with respect to or any Eurodollar Loans made by it or its obligation to make Eurodollar Loans, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by subsection 2.11 (including Non-Excluded Taxes imposed solely by reason of any failure of

such Lender to comply with its obligations under subsection 2.11(b)) and changes in taxes measured by or imposed upon the overall net income, or franchise tax (imposed in lieu of such net income tax), of such Lender or its applicable lending office, branch, or any affiliate thereof); (ii) shall impose, modify or hold applicable any reserve special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or (iii) shall impose on such Lender any other condition (excluding any tax of any kind whatsoever); and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or to reduce any amount receivable hereunder in respect thereof, then, in any such case, upon notice to the Borrower from such Lender, through the Agent, in accordance herewith, the Borrower shall promptly pay such Lender, upon its demand and without duplication, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable, provided that (i) in any such case, the Borrower may elect to convert the Eurodollar Loans made by such Lender hereunder to Base Rate Loans by giving the Agent at least one Business Day's notice of such election, in which case the Borrower shall promptly pay to such Lender, upon demand, without duplication, such amounts, if any, as may be required pursuant to Section 2.12 and (ii) no such amounts shall be payable in excess of the amounts that such Lender could have realized had all outstanding Loans been funded at the Prime Rate. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall provide prompt notice thereof to the Borrower, through the Agent, certifying (x) that one of the events described in this paragraph (a) has occurred and describing in reasonable detail the nature of such event, (y) as to the increased cost or reduced amount resulting from such event and (z) as to the additional amount demanded by such Lender and a reasonably detailed explanation of the calculation thereof. Such a certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender, through the Agent, to the Borrower shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

2.11 Taxes.

(a) Except as provided below in this subsection, all payments made by the Borrower under this Credit Agreement and the Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by Governmental Authority, excluding (i) taxes measured by or imposed upon the overall net income of any Lender or its applicable lending office, or any branch or affiliate thereof, and all franchise taxes, branch taxes, taxes on doing business or taxes on the overall capital or net worth of any Lender or its applicable lending office, or any branch or affiliate thereof, in each case imposed in lieu of net income taxes, or (ii) any taxes arising after the Closing Date solely as a result of or attributable to a Lender changing any applicable lending office after the date that such Lender becomes a party hereto, imposed: (i) by the jurisdiction under the laws of which such Lender, applicable lending office, branch or affiliate is organized or is located, or in which its principal executive office is located, or any nation within which such jurisdiction is located or any political

subdivision thereof; or (ii) by reason of any connection between the jurisdiction imposing such tax and such Lender, applicable lending office, branch or affiliate other than a connection arising solely from such Lender having executed, delivered or performed its obligations, or received payment under or enforced, this Credit Agreement or the Notes. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Agent or any Lender hereunder, (A) the amounts so payable to the Agent or such Lender shall be increased to the extent necessary to yield to the Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Credit Agreement, provided, however, that a Borrower shall be entitled to deduct and withhold any Excluded Taxes and shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof if such Lender fails to comply with the requirements of paragraph (b) of this subsection whenever any Non-Excluded Taxes are payable by such Borrower, and (B) as promptly as possible thereafter such Borrower shall send to the Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by such Borrower showing payment thereof. If a Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, such Borrower shall indemnify the Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

(b) Each Lender that is not incorporated under the laws of the United States of America or a state thereof shall:

(X)(i) on or before the date of any payment by the Borrower under this Credit Agreement or Notes to such Lender, deliver to the Borrower and the Agent (A) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, or successor applicable form, as the case may be, certifying that it is entitled to receive payments under this Credit Agreement and any Notes without deduction or withholding of any United States federal income taxes and (B) an Internal Revenue Service Form W-8 or W-9, or successor applicable form, as the case may be, certifying that it is entitled to an exemption from United States backup withholding tax;

(ii) deliver to the Borrower and the Agent two further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Agent; or

(Y) in the case of any such Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (i) represent to the Borrower (for the benefit of the Borrower and the Agent) that it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (ii) agree to furnish to the Borrower on or before the date of any payment by the Borrower, with a copy to the Agent (A) a certificate substantially in the form of Schedule 2.11 hereto (any such certificate a "U.S. Tax Compliance Certificate") and (B) two accurate and complete original signed copies of Internal Revenue Service Form W-8, or successor applicable form certifying to such Lender's legal entitlement at the date of such certificate to an exemption from U.S. withholding tax under the provisions of Section 881(c) of the Code with respect to payments to be made under this Credit Agreement and any Notes (and to deliver to the Borrower and the Agent two further copies of such form on or before the date it expires or becomes obsolete and after the occurrence of any event requiring a change in the most recently provided form and, if necessary, obtain any extensions of time reasonably requested by the Borrower or the Agent for filing and completing such forms), and (iii) agree, to the extent legally entitled to do so, upon reasonable request by the Borrower, to provide to the Borrower (for the benefit of the Borrower and the Agent) such other forms as may be reasonably required in order to establish the legal entitlement of such Lender to an exemption from withholding with respect to payments under this Credit Agreement and any Notes; unless in any such case any change in treaty, law or regulation has occurred after the date such Person becomes a Lender hereunder which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Agent. Each Person that shall become a Lender or a Participant pursuant to subsection 8.2 shall, upon the effectiveness of the related transfer, be required to provide all of the forms, certifications and statements required pursuant to this subsection, provided that in the case of a Participant the obligations of such Participant pursuant to this subsection (b) shall be determined as if the Participant were a Lender except that such Participant shall furnish all such required forms, certifications and statements to the Lender from which the related participation shall have been purchased.

2.12 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur (other than through such Lender's gross negligence or willful misconduct) as a consequence of (a) default by the Borrower in making a borrowing of a Eurodollar Loan or a Competitive Bid Loan, conversion into a Eurodollar Loan or a Competitive Bid Loan, or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Credit Agreement, (b) default by the Borrower in making any prepayment of a Eurodollar Loan or a Competitive Bid Loan after the Borrower has given a notice thereof in accordance with the provisions of this Credit Agreement or (c) the making of a prepayment of a

Eurodollar Loan or a Competitive Bid Loan on a day which is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans or Competitive Bid Loans, as appropriate (excluding in the case of Eurodollar Loans, however, the margin in excess of the Eurodollar Rate included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. This covenant shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

2.13 Pro Rata Treatment. Except to the extent otherwise provided herein:

(a) Committed Loans. Each Committed Loan borrowing, each payment or prepayment of principal of any Committed Loan and each payment of interest on the Committed Loans, each reduction of the Committed Amount, and each conversion or continuation of any Loan, shall be allocated among the relevant Lenders in accordance with the respective applicable Commitment Percentages (or, if the Commitments of such Lenders have expired or been terminated, in accordance with the respective principal amounts of their outstanding Committed Loans of such Lenders); and

(b) Advances. Unless the Agent shall have been notified in writing by any Lender prior to a Committed Loan borrowing that such Lender will not make the amount that would constitute its Commitment Percentage of such borrowing available to the Agent, the Agent may assume that such Lender is making such amount available to the Agent, and the Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Agent, on demand, such amount with interest thereon at a rate equal to the Base Rate for the period until such Lender makes such amount immediately available to the Agent. A certificate of the Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's Commitment Percentage of such Committed Loan borrowing is not made available to the Agent by such Lender within two Business Days of such Borrowing Date, the Agent shall notify the Borrower of the failure of such Lender to make such amount available to the Agent and the Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower.

2.14 Sharing of Payments. The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro rata share of such payment

as provided for in this Credit Agreement, such Lender shall promptly purchase from the other Lenders a participation in such Loans and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Credit Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan or other obligation in the amount of such participation. Except as otherwise expressly provided in this Credit Agreement, if any Lender or the Agent shall fail to remit to the Agent or any other Lender an amount payable by such Lender or the Agent to the Agent or such other Lender pursuant to this Credit Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Agent or such other Lender at a rate per annum equal to the Base Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 2.14 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 2.14 to share in the benefits of any recovery on such secured claim.

2.15 Place and Manner of Payments. Except as otherwise specifically provided herein, all payments hereunder shall be made to the Agent in dollars in immediately available funds, without offset, deduction, counterclaim or withholding of any kind, at its offices specified in Schedule 2.1(a) not later than 2:00 P.M. (Charlotte, North Carolina time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Agent may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Borrower maintained with the Agent (with notice to the Borrower). The Borrower shall, at the time it makes any payment under this Credit Agreement, specify to the Agent the Loans, fees or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails so to specify, or if such application would be inconsistent with the terms hereof, the Agent shall distribute such payment to the Lenders in such manner as the Agent may determine to be appropriate in respect of obligations owing by the Borrower hereunder, subject to the terms of Section 2.5(c)). The Agent will distribute such payments to such Lenders, if any such payment is received prior to 12:00 Noon (Charlotte, North Carolina time) on a Business Day in like funds as received prior to the end of such Business Day and otherwise the Agent will distribute such payment to such Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and fees for the period of such extension), except that in the case of Eurodollar Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment shall instead be made on the next

preceding Business Day. Except as expressly provided otherwise herein, all computations of interest and fees shall be made on the basis of actual number of days elapsed over a year of 360 days, except with respect to computation of interest on Base Rate Loans which shall be calculated based on a year of 365 or 366 days, as appropriate. Interest shall accrue from and include the date of borrowing, but exclude the date of payment.

2.16 Replacement of Lenders. If any Lender delivers a notice to the Borrower pursuant to Sections 2.7, 2.9, 2.10 or 2.11, then the Borrower shall have the right, if no Default or Event of Default then exists, to replace such Lender (the "Replaced Lender") with one or more additional banks or financial institutions (collectively, the "Replacement Lender"), provided that (A) at the time of any replacement pursuant to this Section 2.16, the Replacement Lender shall enter into one or more assignment agreements substantially in the form of Schedule 8.2(b) pursuant to, and in accordance with the terms of, Section 8.2(b) (and with all fees payable pursuant to said Section 8.2(b) to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the rights and obligations of the Replaced Lender hereunder and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum of (a) the principal of, and all accrued interest on, all outstanding Loans of the Replaced Lender, and (b) all accrued, but theretofore unpaid, fees owing to the Replaced Lender pursuant to Section 2.6, and (B) all obligations of the Borrower owing to the Replaced Lender (including all obligations, if any, owing pursuant to Section 2.7, 2.10 or 2.11, but excluding those obligations specifically described in clause (A) above in respect of which the assignment purchase price has been, or is concurrently being paid) shall be paid in full to such Replaced Lender concurrently with such replacement.

SECTION 3

CONDITIONS

3.1 Closing Conditions. The obligation of the Lenders to enter into this Credit Agreement and make the initial Loans is subject to satisfaction of the following conditions (in form and substance acceptable to the Lenders):

(a) Executed Credit Documents. Receipt by the Agent of duly executed copies of this Credit Agreement and the Notes.

(b) No Default; Representations and Warranties. As of the Closing Date (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects.

(c) Opinion of Counsel. Receipt by the Agent of an opinion, or opinions, satisfactory to the Agent, addressed to the Agent and the Lenders and dated as of the Closing Date, from legal counsel to the Borrower.

(d) Corporate Documents. Receipt by the Agent of the following:

(i) Charter Documents. Copies of the articles or certificates of incorporation or other charter documents of the Borrower certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of the Borrower to be true and

correct as of the Closing Date.

(ii) Bylaws. A copy of the bylaws of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(iii) Resolutions. Copies of resolutions of the Board of Directors of the Borrower approving and adopting the Credit Documents, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary or assistant secretary of the Borrower to be true and correct and in force and effect as of the Closing Date.

(iv) Good Standing. Copies of (a) certificates of good standing, existence or its equivalent with respect to the Borrower certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of incorporation and each other jurisdiction in which the failure to so qualify and be in good standing would have a Material Adverse Effect on the business or operations of the Borrower in such jurisdiction and (b) to the extent available, a certificate indicating payment of all corporate franchise taxes certified as of a recent date by the appropriate governmental taxing authorities.

(e) Material Adverse Change. Since December 24, 1995, there shall not have occurred, nor otherwise exist, an event or condition which has a Material Adverse Effect on the Borrower.

(f) Other. Receipt by the Agent of such other documents, agreements or information which may be reasonably requested by the Lenders.

3.2 Each Loan Advance. The obligation of each Lender to make any Loan advance, including the conversion to or extension of any Eurodollar Loan, is subject to satisfaction of the following conditions:

(a) (i) In the case of any Committed Loan, the Agent shall have received an appropriate Notice of Borrowing or Notice of Extension/Conversion; and (ii) in the case of any Competitive Bid Loan, the applicable Competitive Bid Lender shall have received an appropriate notice of acceptance of its related Competitive Bid;

(b) The representations and warranties set forth in Section 4 shall be true and correct on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(c) There shall not have been commenced against the Borrower an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Borrower or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded; and

(d) No Default or Event of Default shall exist and be continuing either prior to or after giving effect thereto.

The delivery of each Notice of Borrowing and each Notice of Extension/Conversion relating to an extension of or conversion into Eurodollar Loans and each request for a Competitive Bid pursuant to a Competitive Bid Request shall constitute a representation and warranty by the Borrower of the correctness of the matters specified in subsections (b), (c) and (d) above.

SECTION 4

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Agent and the Lenders as follows:

4.1 Financial Statements. The Borrower has furnished to the Lenders copies of (i) the consolidated balance sheet of the Borrower and its Subsidiaries as at June 25, 1995 and the related consolidated statements of income, cash flows and shareholders' equity for the fiscal year then ended and (ii) the consolidated balance sheet of the Borrower and its Subsidiaries as at December 24, 1995 and the related consolidated statements of income, cash flows and shareholders equity for the period then ended. Such financial statements, including the related schedules and notes, are complete and correct in all material respects and fairly present the consolidated financial condition of the Borrower and its Subsidiaries at such dates and the results of their operations for such periods, all in accordance with GAAP applied on a consistent basis (except as otherwise stated therein or in the notes thereto throughout the periods involved).

4.2 Corporate Status. The Borrower is a corporation duly incorporated and organized and validly existing in good standing in its jurisdiction of incorporation, is duly qualified and in good standing as a foreign corporation and authorized to do business in all other jurisdictions wherein the nature of its business or property makes such qualification necessary, except where its failure so to qualify would not have a Material Adverse Effect, and has full power to own its real properties and its personal properties and to carry on its business as now conducted.

4.3 Corporate Authorization. The execution, delivery and performance of this Credit Agreement and of the Notes are within the powers and authority of the Borrower and have been duly authorized by proper corporate proceedings. This Credit Agreement and Notes have been duly executed and delivered by the Borrower and constitute the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

4.4 No Conflicts. Neither the execution and delivery of the Credit Agreement and Notes, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by the Borrower will (a) violate or conflict with any provision of its articles of incorporation or bylaws, (b) violate, contravene or conflict with any law, regulation (including, without limitation, Regulation U or Regulation X), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation of which could have or might be reasonably expected to have a Material Adverse Effect, or (d) result in or require the creation of any Lien upon or with respect to its properties.

4.5 Liens. The Borrower has no outstanding Liens other than Permitted Liens.

4.6 Litigation. There are no actions, suits or proceedings pending or, to the best knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary in any court or arbitration or before or by any governmental department, agency or instrumentality, domestic or foreign, which reasonably would be expected to have a Material Adverse Effect; and neither the Borrower nor any Subsidiary is in violation of any judgment, order, writ, injunction, decree or award or in violation of any rule or regulation of any court or binding arbitration or governmental department, agency or instrumentality, domestic or foreign, the violation of which would have a Material Adverse Effect.

4.7 Governmental and Other Approvals. No approval, consent or authorization of, or any other action by, or filing or registration with, any governmental department, agency or instrumentality, domestic or foreign, is necessary for the execution or delivery by the Borrower of this Credit Agreement, the Notes or for the performance by the Borrower of any of the terms or conditions hereof or thereof.

4.8 Use of Loans. The proceeds of the Loans will be used for (i) financing redemption of \$230,000,000 6% Convertible Subordinated Notes due March 25, 2002 and the call premium thereon and (ii) general corporate purposes; provided that no part of the proceeds of any Loan hereunder will be used for the purpose of purchasing or carrying Margin Stock or to extend credit to others for such purpose, in violation of Regulation U or Regulation X issued by the Board of Governors of the Federal Reserve System or Section 7 of the Securities Exchange Act of 1934, as amended.

4.9 Taxes. The Borrower has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes shown thereon to be due (including interest and penalties) and has paid all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (a) which are not yet delinquent, (b) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP or (c) which are promptly filed or paid upon notice to the Borrower of the existence thereof.

4.10 Compliance with Law. Each of the Borrower and its Subsidiaries is in compliance with all laws, rules, regulations, orders and decrees (including without limitation Environmental Laws) applicable to it, or to its properties, unless such failure to comply would not have or be reasonably expected to have a Material Adverse Effect.

4.11 ERISA. Except as would not result in a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no Termination Event has occurred, and, to the best of the Borrower's or any ERISA Affiliate's knowledge, no event or condition has occurred or exists as a result of which any Termination Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any

Plan; (iii) each Single Employer Plan and, to the best of the Borrower's or any ERISA Affiliate's knowledge, each Multiemployer Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" under each Single Employer Plan (determined within the meaning of Section 401(a)(2) of the Code, utilizing the actuarial assumptions used to fund such Plans), whether or not vested, did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such accrued liabilities.

(c) None of the Borrower, its Subsidiaries or any ERISA Affiliate has incurred, or, to the best of the Borrower's knowledge, are reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. None of the Borrower, its Subsidiaries or any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best of the Borrower's knowledge, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or may subject the Borrower, any of its Subsidiaries or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower, any of its Subsidiaries or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

4.12 Hazardous Substances. Except as would not reasonably be expected to have a Material Adverse Effect, (i) the real property owned or leased by the Borrower and its Subsidiaries or on which the Borrower or any of its Subsidiaries operates (the "Subject Property") is free from "hazardous substances" as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. [Subsection:4,6] 9601 et seq., as amended, and the regulations promulgated thereunder, (ii) no portion of the Subject Property is subject to federal, state or local regulation or liability because of the presence of stored, leaked or spilled petroleum products, hazardous wastes, "PCB's" or PCB items (as defined in 40 C.F.R. Subsection 763.3), underground storage tanks, "asbestos" (as defined in 40 C.F.R. Subsection 763.63) or the past or present accumulation, spillage or leakage of any such substance, (iii) the Borrower and each of its Subsidiaries is in compliance in all material respects with all federal, state and local requirements relating to protection of health or the environment in connection with the operation of their businesses, and (iv) the Borrower does not know of any complaint or investigation regarding real property which it or any of its Subsidiaries owns or leases or on which it or any of its Subsidiaries operates.

COVENANTS

So long as any of the Commitments are in effect and, in any event, until payment in full and discharge of all Obligations to the Agent and the Lenders, including payment of all principal and interest on the Loans, the Borrower shall comply, and shall cause each Subsidiary, to the extent applicable, to comply, with the following covenants:

5.1 Financial Statements. Furnish to the Agent (with sufficient copies for each of the Lenders):

(a) Annual Financial Statements. As soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification indicating that the scope of the audit was inadequate to permit such independent certified public accountants to certify such financial statements without such qualification, by Ernst & Young, LLP or other firm of independent certified public accountants of nationally recognized standing; and

(b) Quarterly Financial Statements. As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of the Borrower, a consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such period and related statements of earnings and of cash flows for the Borrower and its consolidated Subsidiaries for such quarterly period and for the portion of the fiscal year ending with such period, in each case setting forth in comparative form consolidated figures for the corresponding period or periods of the preceding fiscal year (subject to normal recurring year-end audit adjustments), all in reasonable form and detail acceptable to the Agent and the Required Lenders; all such financial statements to be prepared in reasonable detail in accordance with GAAP applied consistently throughout the periods reflected therein.

5.2 Certificates; Other Information. Furnish to the Agent (with sufficient copies for each of the Lenders):

(a) concurrently with the delivery of the financial statements referred to in Sections 5.1(a) and 5.1(b) above, a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, the Borrower during such period observed or performed in all material respects all of its covenants and other agreements, and satisfied in all material respects every material condition, contained in this Credit Agreement to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and such certificate shall include the calculations required to indicate compliance with Section 5.9;

(b) within thirty days after the same are sent, copies of all reports (other than those otherwise provided pursuant to subsection 5.1 and those which are of a promotional nature) and other financial information which the Borrower sends to its stockholders, and within thirty days after the same are filed, copies of all financial statements and non-confidential reports which the Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous

Governmental Authority;

(c) promptly, such additional financial and other information as the Agent, on behalf of any Lender, may from time to time reasonably request.

5.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, in accordance with industry practice (subject, where applicable, to specified grace periods) all its material obligations of whatever nature and any additional costs that are imposed as a result of any failure to so pay, discharge or otherwise satisfy such obligations, except when the amount or validity of such obligations and costs is currently being contested in good faith by appropriate proceedings and reserves, if applicable, in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be.

5.4 Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it on the date hereof and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business; comply with all Contractual Obligations and Requirements of Law applicable to it except to the extent that failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5 Insurance. The Borrower shall maintain insurance in such amounts and covering such risks as is consistent with sound business practice.

5.6 Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its businesses and activities; and permit, during regular business hours and upon reasonable notice, the Agent to visit and inspect any of its properties and examine and make abstracts from any of its books and records (other than materials protected by the attorney-client privilege and materials which the Borrower may not disclose without violation of a confidentiality obligation binding upon it) at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants.

5.7 Notices. Give notice to the Agent (which shall promptly transmit such notice to each Lender) of:

(a) within five Business Days after the Borrower knows thereof, the occurrence of any Default or Event of Default;

(b) promptly, any default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries or the Borrower which would reasonably be expected to have a Material Adverse Effect;

(c) promptly, any litigation, or any investigation or proceeding known to the Borrower, affecting the Borrower or any of its Subsidiaries or the Borrower which, if adversely determined, would reasonably be expected to have a Material Adverse Effect; and

(d) promptly, any other development or event which would reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

5.8 Environmental Laws.

(a) Except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect, comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws;

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings or the pendency of such proceedings would not reasonably be expected to have a Material Adverse Effect; and

(c) Defend, indemnify and hold harmless the Agent, and the Lenders, and their respective employees, agents, officers and directors, from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way resulting from the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Borrower, any of its Subsidiaries or the properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the negligence or willful misconduct of the party seeking indemnification therefor. The agreements in this paragraph shall survive repayment of the Notes and all other amounts payable hereunder.

5.9 Financial Covenants.

(a) Consolidated Net Worth. There shall be maintained at all times a Consolidated Net Worth of at least \$400,000,000; provided that the minimum Consolidated Net Worth required hereunder shall be increased (but not decreased) on the last day of each fiscal quarter by an amount equal to 33% of Consolidated Net Income for the fiscal quarter then ended.

(b) Interest Coverage Ratio. There shall be maintained as of the end of each fiscal quarter an Interest Coverage Ratio of at least 2.5:1.0.

(c) Leverage Ratio. There shall be maintained as of the end of each fiscal quarter a Leverage Ratio of not greater than 3.25:1.0.

5.10 Funded Debt. The Borrower will not, nor will it

permit any Subsidiary to, create, incur, assume or permit to exist any Funded Debt, except for:

(a) Funded Debt arising or existing under this Credit Agreement and evidenced by the Notes hereunder;

(b) Funded Debt existing as of the Closing Date and disclosed in the financial statements referenced in Section 4.1 and in addition as set forth in Schedule 5.10;

(c) Funded Debt consisting of Capital Lease Obligations or Indebtedness incurred or assumed to provide all or a portion of the purchase price or cost of construction of an asset provided that (i) such Indebtedness when incurred shall not exceed the purchase or cost of construction of such asset; (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing; and (iii) the total aggregate amount of all such Indebtedness shall not exceed \$50,000,000 at any time outstanding;

(d) Funded Debt arising or existing in connection with a Permitted Receivables Financing;

(e) other Funded Debt of the Borrower, provided that after giving effect thereto and to the application of proceeds therefrom, the Leverage Ratio will not be excess of the level permitted by Section 5.9(c) hereof; and

(f) renewals, extensions and refundings of Funded Debt permitted by this Section 5.10, provided that after giving effect thereto and to the application of proceeds therefrom, the Leverage Ratio will not be in excess of the level permitted by Section 5.9(c) hereof.

5.11 Liens. The Borrower will not, nor will it permit any Subsidiary to, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or hereafter acquired, except for Permitted Liens.

5.12 Mergers and Consolidations. The Borrower shall (i) not sell, lease or otherwise transfer all or substantially all of its property, assets and business to any other entity, and (ii) not merge or consolidate with or into, or acquire all or substantially all of the assets of, any other entity without the prior written consent of the Required Lenders unless (A) the cash consideration paid or payable by the Borrower and/or its Subsidiaries in connection therewith in a transaction or series or related transactions is less than an amount equal to 20% of the Borrower's Consolidated Net Worth, and (B) no Default or Event of Default shall exist prior to or after giving effect thereto.

SECTION 6

EVENTS OF DEFAULT

6.1. Events of Default. Each of the following occurrences shall constitute an "Event of Default" under this Agreement:

(A) any representation or warranty made by the Borrower to the Lenders in or in connection with this Credit Agreement or any of the other Credit Documents shall prove to have been false or misleading in any material respect when made or furnished;

(B) the Borrower shall fail to pay

(i) any principal of any Note as and when the same shall become due and payable, or

(ii) any interest on any Note, any Commitment Fee or any other Obligation as and when the same shall become due and payable, and such failure shall continue unremedied for more than five days;

(C) the Borrower shall fail to pay when due, whether by acceleration or otherwise, one or more evidences of Indebtedness (other than the Notes hereunder) having an aggregate unpaid balance of more than \$10,000,000, and such failure shall continue for more than the period of grace, if any, applicable thereto and shall not have been waived;

(D) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Credit Agreement or any other Credit Document on its part to be performed or observed, and such failure shall continue unremedied for a period of 30 days;

(E) the Borrower or any Subsidiary shall (i) apply for or consent to the appointment of a receiver, custodian, trustee or liquidator of the Borrower or such Subsidiary or any of their respective properties or assets, (ii) generally fail or admit in writing its inability to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or readjustment of debts, (vi) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against the Borrower or such Subsidiary in an involuntary case under the Bankruptcy Code or (vii) take any corporate action for the purpose of effecting any of the foregoing;

(F) a proceeding or case shall be commenced, without the application or consent of the Borrower or any in any court of competent jurisdiction seeking (i) its liquidation, reorganization, dissolution or winding-up or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian or liquidator of the Borrower or such Subsidiary or of all or any substantial part of its assets or (iii) similar relief in respect of the Borrower or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 days; or an order for relief against the Borrower or such Subsidiary shall be entered in an involuntary case under the Bankruptcy Code;

(G) any of the following events or conditions, which in the aggregate, reasonably could be expected to involve possible taxes, penalties, and other liabilities in an aggregate amount in excess of \$10,000,000: (1) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (2) a Termination Event shall occur with respect to a Single Employer Plan, which is, in the

reasonable opinion of the Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (3) a Termination Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Agent, likely to result in (i) the termination of such Plan for purposes of Title IV of ERISA, or (ii) the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency or (within the meaning of Section 4245 of ERISA) such Plan; or (4) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability;

(H) any final judgment, final consent decree or final order for the payment of money (or for the performance of any remedial action or other services that would result in the expenditure of funds by the Borrower or any of its Subsidiaries) shall be rendered against the Borrower or any of its Subsidiaries by any federal, state or local court or administrative agency and the same shall fail to be discharged, stayed or bonded for a period of 60 days after such final judgment, final consent decree or final order for the payment of money (or, in the case of performance obligations, shall fail to be performed in the manner and at the times required in such final judgment, final consent decree or final order or shall fail to otherwise be discharged, stayed or bonded, in any such case, for a period of 60 days after the performance of such obligations is required) provided that no occurrence described in this subsection (H) shall constitute an Event of Default unless the aggregate outstanding liability of the Borrower and its Subsidiaries which has resulted from all such occurrences shall exceed \$10,000,000 (or its equivalent in any other currency); or

(I) either (i) a "person" or a "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of more than 50% of the then outstanding voting stock of the Borrower or (ii) a majority of the Board of Directors of the Borrower shall consist of individuals who are not Continuing Directors; "Continuing Director" means, as of any date of determination, (i) an individual who on the date two years prior to such determination date was a member of the Borrower's Board of Directors and

(ii) any new Director whose nomination for election by the Borrower's shareholders was approved by a vote of at least 75% of the Directors then still in office who either were Directors on the date two years prior to such determination date or whose nomination for election was previously so approved.

6.2. Rights and Remedies. Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the Required Lenders or cured to the satisfaction of the Required Lenders (pursuant to the voting procedures in Section 8.5), the Agent shall, upon the request and direction of the Required Lenders, by written notice to the Borrower take any of the following actions without prejudice to the rights of the Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(i) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(ii) Acceleration. Declare the unpaid principal of and any accrued interest in respect of all Loans and any and all other amounts owing hereunder to any of the Lenders to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(iii) Enforcement of Rights. Enforce any and all rights and interests created and existing under this Credit Agreement and the Notes and all rights of set-off.

Notwithstanding the foregoing, in the case of an Event of Default specified in subsection (E) or (F) relating to a Borrower or a Subsidiary, the respective Commitment of each Lender shall be immediately terminated and the Notes, including all interest thereon, and all other Obligations shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 7

AGENCY PROVISIONS

7.1 Appointment. Each Lender hereby designates and appoints NationsBank, N.A. as administrative agent (in such capacity as Agent hereunder, the "Agent") of such Lender to act as specified herein and the other Credit Documents, and each such Lender hereby authorizes the Agent, as the agent for such Lender, to take such action on its behalf under the provisions of this Credit Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Credit Documents, the Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Credit Agreement or any of the other Credit Documents, or shall otherwise exist against the Agent. The provisions of this Section are solely for the benefit of the Agent and the Lenders and the Borrower shall not have any rights as a third party beneficiary of the provisions hereof. In performing its functions and duties under this Credit Agreement and the other Credit Documents, the Agent shall not act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower.

7.2 Delegation of Duties. The Agent may execute any of its duties hereunder or under the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

7.3 Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken

or omitted to be taken by it or such Person under or in connection herewith or in connection with any of the other Credit Documents (except for its or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower contained herein or in any of the other Credit Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection herewith or in connection with the other Credit Documents, or enforceability or sufficiency herefor of any of the other Credit Documents, or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Credit Agreement, or any of the other Credit Documents or for any representations, warranties, recitals or statements made herein or therein or made by the Borrower in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by the Agent to the Lenders or by or on behalf of the Borrower to the Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default or to inspect the properties, books or records of the Borrower.

7.4 Reliance on Communications. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower, independent accountants and other experts selected by the Agent with reasonable care). The Agent may deem and treat the Lenders as the owner of their respective interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent in accordance with Section 8.2(b) hereof. The Agent shall be fully justified in failing or refusing to take any action under this Credit Agreement or under any of the other Credit Documents unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Credit Documents in accordance with a request of the Required Lenders (or to the extent specifically provided in Section 8.5, all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders (including their successors and assigns).

7.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Lender or the Borrower referring to the Credit Document, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders.

7.6 Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent or any affiliate thereof hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Agent to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Credit Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Credit Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

7.7 Indemnification. The Lenders agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Obligations) be imposed on, incurred by or asserted against the Agent in its capacity as such in any way relating to or arising out of this Credit Agreement or the other Credit Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Agent. If any indemnity furnished to the Agent for any purpose shall, in the opinion of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreements in this Section shall survive the payment of the Obligations and all other amounts payable hereunder and under the other Credit Documents.

7.8 Agent in its Individual Capacity. The Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Agent were not Agent hereunder. With respect to the Loans made and all Obligations owing to it, the Agent shall have the same rights and powers under this Credit Agreement as any Lender and may exercise the same as though they were not Agent,

and the terms "Lender" and "Lenders" shall include the Agent in its individual capacity.

7.9 Successor Agent. The Agent may, at any time, resign upon 20 days' written notice to the Lenders. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the notice of resignation, as appropriate, then the retiring Agent shall select a successor Agent provided such successor is a Lender hereunder or a commercial bank organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$400,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations as Agent, as appropriate, under this Credit Agreement and the other Credit Documents and the provisions of this Section 7.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Credit Agreement.

SECTION 8

MISCELLANEOUS

8.1 Notices. Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address, in the case of the Borrower and the Agent, set forth below, and in the case of the Lenders, set forth on Schedule 2.1(a), or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

Unifi, Inc.
P.O. Box 19109
7201 W. Friendly Avenue
Greensboro, North Carolina 27410
Attn: Robert A. Ward
Telephone: (910) 316-5461
Telecopy: (910) 294-4751

with a copy to:

Frazier, Frazier & Mahler
Suite 206, Southeastern Building
102 N. Elm Street
P.O. Drawer 1559
Greensboro, North Carolina 27402
Attn: C. Clifford Frazier
Telephone: (910) 378-7781
Telecopy: (910) 274-7358

if to the Agent:

NationsBank, N.A.
101 N. Tryon Street
Independence Center, 15th Floor
NC1-001-15-04

Charlotte, North Carolina 28255
Attn: Linda Ballard
Telephone: (704) 386-9368
Telecopy: (704) 386-9923

with a copy to:

NationsBank, N.A.
NationsBank Corporate Center
100 N. Tryon Street, 8th Floor
NC1-007-08-01
Charlotte, North Carolina 28255
Attn: Richard G. Parkhurst, Jr.
Telephone: (704) 386-1828
Telecopy: (704) 386-1270

8.2 Benefit of Agreement.

(a) Generally. This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that the Borrower may not assign and transfer any of its interests without prior written consent of the Lenders; provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 8.2, provided however that nothing herein shall prevent or prohibit any Lender from (i) pledging its Loans hereunder to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank, or (ii) granting assignments or participation in such Lender's Loans and/or Commitments hereunder to its parent company and/or to any affiliate of such Lender.

(b) Assignments. Each Lender may, upon obtaining the consent of the Borrower and the Agent (which consent shall not be unreasonably withheld), assign all or a portion of its rights and obligations hereunder pursuant to an assignment agreement substantially in the form of Schedule 8.2(b) to one or more additional banks or financial institutions, provided that (i) no such consent shall be required with respect to any assignment by a Lender to an affiliate of such Lender and no such consent shall be required from the Borrower after the occurrence and during the continuation of any Event of Default, and (ii) any such assignment shall be in a minimum aggregate amount of \$25,000,000 of the Commitments and that each such assignment shall be of a constant, not varying, percentage of all of the assigning Lender's rights and obligations under this Credit Agreement. Any assignment hereunder shall be effective upon execution by all necessary parties of the applicable assignment agreement, together with the payment of a transfer fee of \$3,500 to the Agent for the account of the Agent. The assigning Lender will give prompt notice to the Agent and the Borrower of any such assignment. Upon the effectiveness of any such assignment (and after notice to the Borrower as provided herein), the assignee shall become a "Lender" for all purposes of this Credit Agreement and the other Credit Documents and, to the extent of such assignment, the assigning Lender shall be relieved of its obligations hereunder to the extent of the Loans and Commitment components being assigned. Along such lines the Borrower agrees that upon notice of any such assignment and surrender of the appropriate Note or Notes, it will promptly provide to the assigning Lender and to the assignee separate promissory notes in the amount of their respective interests substantially in the form of the original Note (but with notation thereon that it is given in substitution for and replacement of the original Note or any replacement notes thereof).

(c) Participations. Each Lender may sell, transfer, grant or assign participations in all or any part of such Lender's interests and obligations hereunder; provided that (i) such selling Lender shall remain a "Lender" for all purposes under this Credit Agreement (such selling Lender's obligations under the Credit Documents remaining unchanged) and the participant shall not constitute a Lender hereunder, (ii) no such participant shall have, or be granted, rights to approve any amendment or waiver relating to this Credit Agreement or the other Credit Documents except to the extent any such amendment or waiver would (A) reduce the principal of or rate of interest on or fees in respect of any Loans in which the participant is participating, or (B) postpone the date fixed for any payment of principal (including the date of any mandatory prepayment), interest or fees in which the participant is participating, (iii) sub-participations by the participant (except to an affiliate, parent company or affiliate of a parent company of the participant) shall be prohibited and (iv) any such participations shall be in a minimum aggregate amount of \$5,000,000 of the Commitments and in integral multiples of \$1,000,000 in excess thereof. In the case of any such participation, the participant shall not have any rights under this Credit Agreement or the other Credit Documents (the participant's rights against the selling Lender in respect of such participation to be those set forth in the participation agreement with such Lender creating such participation) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation.

8.3 No Waiver; Remedies Cumulative. No failure or delay on the part of the Borrower, the Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower and the Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Agent or any Lender would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or the Lenders to any other or further action in any circumstances without notice or demand.

8.4 Payment of Expenses, etc. The Borrower agrees to: (i) pay all reasonable out-of-pocket costs and expenses of the Agent in connection with the negotiation, preparation, execution and delivery and administration of the Credit Agreement and the other Credit Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees and expenses of Moore & Van Allen, PLLC, special counsel to the Agent) and any amendment, waiver or consent relating to this Credit Agreement and the other Credit Documents to which it shall consent, including, but not limited to, any such amendments, waivers or consents resulting from or related to any work-out, renegotiation or restructure relating to the performance by the Borrower under this Credit Agreement and of the Agent and the Lenders in connection with enforcement of the Credit Documents and the documents and instruments referred to therein (including, without limitation, in connection with any such enforcement, the reasonable fees and disbursements of counsel for the Agent and each of the Lenders); (ii) pay and hold each of the Lenders harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or

omission (other than to the extent attributable to such Lender) to pay such taxes; and (iii) indemnify the Agent and each Lender, their respective officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not the Agent or any Lender is a party thereto) related to the entering into and/or performance of any Credit Document or the use of proceeds of any Loans (including other extensions of credit) hereunder or the consummation of any other transactions contemplated in any Credit Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of gross negligence or willful misconduct on the part of the Person to be indemnified). All legal fees to be paid in accordance with this Section 8.4 shall be based on the actual amount of time expended in connection with such matters at the usual hourly rates of such attorneys, notwithstanding the provisions of N.C. Gen. Stat. Subsection 6-21.2.

8.5 Amendments, Waivers and Consents. Neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing signed by the Required Lenders, provided that no such amendment, change, waiver, discharge or termination shall, without the consent of each Lender affected thereby, (i) extend the scheduled maturities (including the final maturity and any mandatory prepayments) of any Loan, or any portion thereof, or reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or fees hereunder or reduce the principal amount thereof, or increase the Commitments of the Lenders over the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender), (ii) amend, modify or waive any provision of this Section or Section 2.9, 2.10, 2.11, 2.12, 2.14, 7.7, and 8.4, (iii) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders or (iv) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Credit Agreement. No provision of Section 7 may be amended without the consent of the Agent.

8.6 Counterparts. This Credit Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Credit Agreement to produce or account for more than one such counterpart.

8.7 Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

8.8 Survival of Indemnification. All indemnities set forth herein, including, without limitation, in Sections 2.10, 2.11 or 2.12 or 8.4 shall survive the execution and delivery of this Credit Agreement, and the making of the Loans, the repayment of the Loans and other obligations and the termination of the Commitment hereunder.

8.9 Governing Law; Submission to Jurisdiction; Venue.

(a) THIS CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of North Carolina in Mecklenburg County, or of the United States for the Western District of North Carolina, and, by execution and delivery of this Credit Agreement, each party hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of such courts.

(b) Each party hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document brought in courts referred to in subsection (a) hereof and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH OF THE AGENTS, EACH OF THE LENDERS AND THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

8.10 Severability. If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

8.11 Entirety. This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

8.12 Survival of Representations and Warranties. All representations and warranties made by the Borrower herein shall survive delivery of the Notes and the making of the Loans hereunder.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

BORROWER: UNIFI, INC.,
a New York corporation

By ROBERT A. WARD

Title EXECUTIVE VICE PRESIDENT

LENDERS:

NATIONSBANK, N.A.,
individually in its capacity as a
Lender and in its capacity as Agent

By RICHARD G. PARKHURST

Title VICE PRESIDENT

WACHOVIA BANK OF NORTH CAROLINA, N.A.

By CHARLENE JOHNSON

Title VICE PRESIDENT

CREDIT SUISSE

By GEOFFREY M. CRAIG

Title MEMBER OF MANAGEMENT

By KRISTINN R. KRISTINSSON

Title ASSOCIATE

Schedule 2.1(a)
Schedule of Lenders and
Commitments

Lender	Address for Notices	Address for Funding and Payments	Committed Amount	Committed Percentage
NationsBank, N.A.	NationsBank, N.A. 101 N. Tryon Street Independence Center, 15th Floor NC1-001-15-04 Charlotte, NC 28255 Attn: Linda Ballard Ph: 704/386-9368 Fx: 704/386-9923	NationsBank, NA 101 N. Tryon St. Independence Ctr. 15th Floor NC-001-15-04 Charlotte, NC 28255 Attn: Linda Ballard Ph: 704/386-9368 Fx: 704/386-9923	\$200,000,000	50%

with a copy to:

NationsBank, N.A. NationsBank Corporate Center 100 N. Tryon Street, 8th Floor	NationsBank Corporate Center 100 N. Tryon Street, 8th Floor
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Charlotte, NC 28255 Charlotte, NC 28255
Attn: R.G. Parkhurst, Jr. Attn: RG Parkhurst, Jr.
Ph: 704/386-1828 Ph: 704/386-1828
Fx: 704/386-1270 Fx:704/386-1270

Wachovia Bank of North
Carolina, N.A.

Wachovia Bank of North Carolina, N.A. 100 N. Main Street Mail Code 37207 Winston-Salem, North Carolina 27150-3099 Attn: Charlene Johnson Ph: 910/732-5472 Fx: 910/732-6935	Wachovia Bank of North Carolina, N.A. 100 N. Main Street Mail Code 37207 Winston-Salem, NC 27150-3099 Attn: Charlene Johnson Ph: 910/732-5472 Fx: 910/732-6935
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\$100,000,000 25%

Credit Suisse

Credit Suisse 12 East 49th Street New York, NY 10017 Attn: Hazel Leslie Ph: 212/238-5218 Fx: 212/238-5246	Credit Suisse 191 Peachtree St. Suite 3500 Atlanta, GA 30303 Attn: Chris Boren Ph: 404/577/6100 Fx: 404/577-9029
--	--

\$100,000,000 25%

PAGE

Schedule 2.1(b) (i)

FORM OF NOTICE OF COMMITTED BORROWING

NationsBank, N.A.,
as Agent for the Lenders
101 N. Tryon Street
Independence Center, 15th Floor
NC1-001-15-04
Charlotte, North Carolina 28255
Attn: Agency Services

Ladies and Gentlemen:

The undersigned, UNIFI, INC. (the "Borrower"), refers to the Credit Agreement dated as of April __, 1996 (as amended and modified, from time to time, the "Credit Agreement"), among the Borrower, the Lenders and NationsBank, N.A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives notice that it requests a Committed Loan borrowing pursuant to the provisions of Section 2.1(b) of the Credit Agreement and in connection herewith sets forth below the terms on which such borrowing is requested to be made:

- (A) Date of Borrowing
(which is a Business Day) _____
- (B) Principal Amount of
Borrowing _____
- (C) Interest rate basis _____
- (D) Interest Period and the
last day thereof _____

In accordance with the requirements of Section 3.2, the Borrower hereby reaffirms the representations and warranties set forth in the Credit Agreement as provided in subsection (b) of such Section, and confirms that the matters referenced in subsections (c) and (d) of such Section, are true and correct.

Very truly yours,

UNIFI, INC.

By: _____

Name: _____

Title: _____

Schedule 2.1(e)

FORM OF COMMITTED NOTE

\$ _____

April __, 1996

FOR VALUE RECEIVED, UNIFI, INC., a New York corporation (the "Borrower"), hereby promises to pay to the order of _____, its successors and assigns (the "Lender"), at the office of NationsBank, N.A., as Agent (the "Agent"), at 101 N. Tryon Street, Independence Center, 15th Floor, NC1-001-15-04, Charlotte, North Carolina 28255 (or at such other place or places as the holder hereof may designate), at the times set forth in the Credit Agreement dated as of the date hereof among the Borrower, the Lenders and the Agent (as it may be amended and modified from time to time, the "Credit Agreement"; all capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement), but in no event later than the Termination Date, in Dollars and in immediately available funds, the principal amount of _____ DOLLARS (\$ _____) or, if less than such principal amount, the aggregate unpaid principal amount of all Committed Loans made by the Lender to the Borrower pursuant to the Credit Agreement, and to pay interest from the date hereof on the unpaid principal amount hereof, in like money, at said office, on the dates and at the rates selected in accordance with Section 2.1(d) of the Credit Agreement.

Upon the occurrence and during the continuance of an Event of Default the balance outstanding hereunder shall bear interest as provided in Section 2.3 of the Credit Agreement.

Further, in the event the payment of all sums due hereunder is accelerated under the terms of the Credit Agreement, this Note and all other indebtedness owing to the Lender under the Credit Documents shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Borrower.

In the event this Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to the principal and interest, all costs of collection, including reasonable attorneys' fees.

All borrowings evidenced by this Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on Schedule A attached hereto and incorporated herein by reference, or on a continuation thereof which shall be attached hereto and made a part hereof; provided, however, that any

failure to endorse such information on such schedule or continuation thereof shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NORTH CAROLINA.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed by its duly authorized officer as of the day and year first above written.

UNIFI, INC.

By: _____
Name:
Title:

SCHEDULE A TO THE
COMMITTED NOTE
OF UNIFI, INC.
DATED APRIL __, 1996

Type	Unpaid	Name of
of Interest	Principal	Person
Date Loan Period	Payments	Making
Principal	Interest	Notation
of Note	of Note	

Schedule 2.2(b)-1

FORM OF COMPETITIVE BID REQUEST

NationsBank, N.A.,
as Agent for the Lenders
101 N. Tryon Street
Independence Center, 15th Floor
NC1-001-15-04
Charlotte, North Carolina 28255
Attn: Agency Services

Ladies and Gentlemen:

The undersigned, UNIFI, INC. (the "Borrower"), refers to the Credit Agreement dated as of April __, 1996 (as amended and modified from time to time, the "Credit Agreement"), among the Borrower, the Lenders and NationsBank, N.A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.2(b) of the Credit Agreement it requests solicitation of Competitive Bids under the Credit Agreement, and in connection herewith sets forth below the terms on which such Competitive Bid Loan borrowing is requested to be made:

- (A) Competitive Bid Request is/is not an Accommodating Competitive Bid Request
- (B) Date of Competitive Bid Loan Borrowing (which is a Business Day) _____

- (C) Principal Amount of Competitive Bid Loan Borrowing _____
- (D) Interest Period and the last day thereof _____

In accordance with the requirements of Section 3.2, the Borrower hereby reaffirms the representations and warranties set forth in the Credit Agreement as provided in subsection (b) of such Section, and confirms that the matters referenced in subsections (c) and (d) of such Section, are true and correct.

Very truly yours,
 UNIFI, INC.

By: _____
 Name:
 Title:

Schedule 2.2(b)-2

FORM OF NOTICE OF COMPETITIVE BID REQUEST

[Name of Lender]
 [Address]

Attention:

Dear Sirs:

Reference is made to the Credit Agreement dated as of April __, 1996 (as amended and modified from time to time, the "Credit Agreement"), among UNIFI, INC. (the "Borrower"), the Lenders and NationsBank, N.A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower made a Competitive Bid Request on _____, 19__, pursuant to Section 2.2(b) of the Credit Agreement, and in that connection you are invited to submit a Competitive Bid by 10:00 A.M. (Charlotte, North Carolina time) _____, 19__ [Date of Proposed Competitive Bid Loan Borrowing] Your Competitive Bid must comply with Section 2.2(c) of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made:

- (A) Date of Competitive Bid Borrowing _____
- (B) Principal amount of Competitive Bid Borrowing _____
- (C) Interest Period and the last day thereof _____

Very truly yours,
 NATIONSBANK, N.A., as Agent

By: _____
Name:
Title:

Schedule 2.2(c)

FORM OF COMPETITIVE BID

NationsBank, N.A.,
as Agent for the Lenders
101 N. Tryon Street
Independence Center, 15th Floor
NC1-001-15-04
Charlotte, North Carolina 28255
Attn: Agency Services

Ladies and Gentlemen:

The undersigned, [Name of Lender], refers to the Credit Agreement dated as of April __, 1996 (as amended and modified from time to time, the "Credit Agreement"), among UNIFI, INC. (the "Borrower"), the Lenders and NationsBank, N.A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes a Competitive Bid pursuant to Section 2.2(c) of the Credit Agreement, in response to the Competitive Bid Request made by the Borrower on _____, 19__, and in that connection sets forth below the terms on which such Competitive Bid is made:

- (A) Principal Amount _____
- (B) Competitive Bid Rate _____
- (C) Interest Period and last day thereof _____

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement, to extend credit to the Borrower upon acceptance by the Borrower of this bid in accordance with Section 2.2(e) of the Credit Agreement.

Very truly yours,

[NAME OF LENDER]

By: _____
Name:
Title:

Schedule 2.2(e)

FORM OF COMPETITIVE BID ACCEPT/REJECT LETTER

NationsBank, N.A.,
as Agent for the Lenders
101 N. Tryon Street
Independence Center, 15th Floor
NC1-001-15-04
Charlotte, North Carolina 28255
Attn: Agency Services

Ladies and Gentlemen:

The undersigned, UNIFI, INC. (the "Borrower"), refers to the Credit Agreement dated as of April __, 1996 (as amended and modified from time to time, the "Credit Agreement"), among the Borrower, the Lenders and NationsBank, N.A., as Agent.

In accordance with Section 2.2(d) of the Credit Agreement, we have received a summary of bids in connection with our Competitive Bid Request dated _____ and in accordance with Section 2.2(d) of the Credit Agreement, we hereby accept the following bids for maturity on [date]:

Principal Amount	Competitive Bid Rate	Interest	
		Paid	Lender
-----	-----	-----	-----
\$	[%]		
\$	[%]		

We hereby reject the following bids:

Principal Amount	Competitive Bid Rate	Interest	
		Paid	Lender
-----	-----	-----	-----
\$	[%]		
\$	[%]		

The Competitive Bid Loans accepted as provided above should be deposited in the general deposit account maintained by the Borrower with NationsBank, N.A. on [date].

Very truly yours,

UNIFI, INC.

By: _____
Name:
Title:
Schedule 2.2(i)

FORM OF COMPETITIVE BID NOTE

\$400,000,000

April __, 1996

FOR VALUE RECEIVED, UNIFI, INC., a New York corporation (the "Borrower"), hereby promises to pay to the order of _____ its successors and permitted assigns (the "Lender"), at the office of NationsBank, N.A., as Agent (the "Agent"), at 101 N. Tryon Street, Independence Center, 15th Floor, NC1-001-15-04, Charlotte, North Carolina 28255 (or at such other place or places as the holder hereof may designate), at the times set forth in the Credit Agreement dated as of the date hereof among the Borrower, the Lenders and the Agent (as it may be amended and modified from time to time, the "Credit Agreement"; all capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement), but in no event later than the Termination Date, in Dollars and in immediately available funds, the principal amount of FOUR HUNDRED MILLION DOLLARS (\$400,000,000) or, if less than such principal amount, the aggregate unpaid principal amount of all Competitive Bid Loans made by the Lender to the Borrower pursuant to the Credit Agreement, and to pay interest from the date hereof on the unpaid principal amount hereof, in like money,

at said office, on the dates and at the rates selected in accordance with Section 2.2(g) of the Credit Agreement and in the respective Competitive Bid applicable to each Competitive Bid Loan borrowing evidenced hereby.

Upon the occurrence and during the continuance of an Event of Default the balance outstanding hereunder shall bear interest as provided in Section 2.3 of the Credit Agreement. Further, in the event the payment of all sums due hereunder is accelerated under the terms of the Credit Agreement, this Note and all other indebtedness owing to the Lender under the Credit Documents shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Borrower.

In the event this Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to the principal and interest, all costs of collection, including reasonable attorneys' fees.

All borrowings evidenced by this Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on Schedule A attached hereto and incorporated herein by reference, or on a continuation thereof which shall be attached hereto and made a part hereof; provided, however, that any failure to endorse such information on such schedule or continuation thereof shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NORTH CAROLINA.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed by its duly authorized officer as of the day and year first above written.

UNIFI, INC.

By: _____
Name:
Title:

SCHEDULE A TO THE
COMPETITIVE BID NOTE
OF UNIFI, INC.
DATED APRIL __, 1996

Date	Type of Loan	Interest Period	Payments Principal	Interest	Unpaid Principal Balance of Note	Name of Person Making Notation
-----	-----	-----	-----	-----	-----	-----

Schedule 2.4

FORM OF NOTICE OF CONVERSION OR EXTENSION

NationsBank, N.A.,
as Agent for the Lenders
101 N. Tryon Street

Independence Center, 15th Floor
NC1-001-15-04
Charlotte, North Carolina 28255
Attention: Agency Services

Ladies and Gentlemen:

The undersigned, UNIFI, INC. (the "Borrower"), refers to the Credit Agreement dated as of April __, 1996 (as amended and modified from time to time, the "Credit Agreement"), among the Borrower, the Lenders and NationsBank, N.A., as Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives notice pursuant to Section 2.4 of the Credit Agreement that it requests an extension or conversion of a Committed Loan outstanding under the Credit Agreement, and in connection herewith sets forth below the terms on which such extension or conversion is requested to be made:

- (A) Date of Extension or Conversion
(which, with regard to Eurodollar Loans, is the last day of the the applicable Interest) _____
- (B) Principal Amount of Extension or Conversion _____
- (C) Interest rate basis _____
- (D) Interest Period and the last day thereof _____

In accordance with the requirements of Section 3.2, the Borrower hereby reaffirms the representations and warranties set forth in the Credit Agreement as provided in subsection (b) of such Section, and confirms that the matters referenced in subsections (c) and (d) of such Section, are true and correct.

Very truly yours,

UNIFI, INC.

By: _____
Name:
Title:

Schedule 2.11

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

Reference is hereby made to the Credit Agreement, dated as of April __, 1996, as amended and modified from time to time thereafter, among Unifi, Inc., the Lenders party thereto and NationsBank, N.A., as Agent (the "Credit Agreement"). Pursuant to Section 2.11 of the Credit Agreement, the undersigned hereby certifies that it is not a "bank" as such term is used in Section 881(c) (3) (A) of the Internal Revenue Code of 1986, as amended.

[NAME OF LENDER]

By: _____
Name:
Title:

Schedule 5.1(c)

Form of Officer's Compliance Certificate

For the fiscal quarter ended _____, 19__.

I, _____, [Title] of UNIFI, INC. (the "Borrower") hereby certify that, to the best of my knowledge and belief, with respect to that certain Credit Agreement dated as of April __, 1996 (as amended and modified from time to time, the "Credit Facility"; all of the defined terms in the Credit Agreement are incorporated herein by reference) among the Borrower, the Lenders party thereto and NationsBank, N.A., as Agent:

- a. The company-prepared financial statements which accompany this certificate are true and correct in all material respects and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, subject to changes resulting from audit and normal year-end audit adjustments; and
- b. Since _____ (the date of the last similar certification, or, if none, the Closing Date) no Default or Event of Default has occurred under the Credit Agreement.
- c. Attached are computations demonstrating compliance with the financial covenants set out in Section 5.9 of the Credit Agreement.

This _____ day of _____, 19__.

UNIFI, INC.

By: _____
Name:
Title:

Schedule 5.10

Existing Funded Debt

TYPE OF FUNDED DEBT	AMOUNT
Unifi, Inc. 6% Convertible Subordinated Note Due 2002 issuable only in registered form without coupons and only in denominations of \$1,000.00 and any integral multiple thereof.	\$230,000,000.00

Schedule 8.2(b)

Form of Assignment and Acceptance

THIS ASSIGNMENT AND ACCEPTANCE dated as of _____, 199_ is entered into between _____ ("Assignor") and _____ ("Assignee").

Reference is made to the Credit Agreement dated as of April __, 1996, as amended and modified from time to time thereafter (the "Credit Agreement") among UNIFI, the Lenders party thereto and NationsBank, N.A., as Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date set forth below, the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth below in the Commitments of the Assignor on the effective date of the assignment designated below (the "Effective Date") and the Committed Loans owing to the Assignor which are outstanding on the Effective Date, together with unpaid interest accrued on the assigned Loans to the Effective Date and the amount, if any, set forth below of the Fees accrued to the Effective Date for the account of the Assignor. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 8.2(b) of the Credit Agreement, a copy of which has been received by each such party. From and after the Effective Date (i) the Assignee, if it is not already a Lender under the Credit Agreement, shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.
2. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of North Carolina.
3. Terms of Assignment
 - (a) Date of Assignment:
 - (b) Legal Name of Assignor:
 - (c) Legal Name of Assignee:
 - (d) Effective Date of Assignment:
 - (e) Commitment Percentage Assigned:
(expressed as a percentage of
the Total Committed Amount and
set forth to at least 8 decimals) %
 - (f) Commitment Percentage of
Assignor after Assignment
(set forth to at least 8 decimals) %
 - (g) Total Committed Loans outstanding
as of Effective Date \$ _____

(h) Principal Amount of Committed
Loans assigned on Effective
Date (the amount set forth
in (g) multiplied by the
percentage set forth in (e)) \$ _____

The terms set forth above are hereby agreed to:

_____, as Assignor

By: _____
Name:
Title:

_____, as Assignee

By: _____
Name:
Title:

CONSENTED TO:

NATIONSBANK, N.A., as Agent

By: _____
Name:
Title:

UNIFI, INC.

By: _____
Name:
Title

EXHIBIT (11)
 COMPUTATION OF EARNINGS PER SHARE
 UNIFI, INC. AND SUBSIDIARIES
 (Amounts in thousands, except per share data)

	Years Ended		
	June 30, 1996	June 25, 1995	June 26, 1994
Primary			
Weighted average number of shares outstanding	65,726	69,005	70,415
Net effect of dilutive stock options- based on the treasury stock method using average market price	485	537	605
Total	66,211	69,542	71,020
Net Income	\$ 72,479	\$ 116,171	\$ 76,492
Per Share Amount	\$ 1.09	\$ 1.67	\$ 1.08
Fully Diluted			
Weighted average number of shares outstanding	65,726	69,005	70,415
Assumed Conversion of 6% convertible subordinated notes	*	7,753	*
Net effect of dilutive stock options- based on the treasury stock method using the year-end market price, if higher than average market price	525	544	612
Total	66,251	77,302	71,027
Net Income	\$ 72,479	\$ 116,171	\$ 76,492
Add 6% convertible subordinated notes interest, net of tax	*	8,703	*
Total	\$ 72,479	\$ 124,874	\$ 76,492
Per Share Amount	\$ 1.09	\$ 1.62	\$ 1.08

<FN>

* Conversion of the 6% convertible subordinated notes was not considered for this computation because its effect is antidilutive. Accordingly, fully diluted earning per share for these periods has been reported consistent with the primary earnings per share results.

</FN>

EXHIBIT (13a)

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	June 30, 1996	June 25, 1995
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 24,473	\$ 60,350
Short-term investments	---	85,844
Receivables	199,361	209,432
Inventories	132,946	139,378
Other current assets	5,095	8,017
Total current assets	<u>361,875</u>	<u>503,021</u>
Property, plant and equipment:		
Land	6,249	5,865
Buildings & air conditioning	212,581	203,114
Machinery and equipment	659,678	631,470
Other	148,620	69,934
	<u>1,027,128</u>	<u>910,383</u>
Less: accumulated depreciation	477,752	394,168
	<u>549,376</u>	<u>516,215</u>
Other noncurrent assets	39,833	21,666
	<u>\$ 951,084</u>	<u>\$ 1,040,902</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 110,107	\$ 100,165
Accrued expenses	39,895	54,338
Income taxes	15,651	15,161
Total current liabilities	<u>165,653</u>	<u>169,664</u>
Long-term debt	<u>170,000</u>	<u>230,000</u>
Deferred income taxes	<u>32,225</u>	<u>37,736</u>
Shareholders' equity:		
Common stock	6,483	6,714
Capital in excess of par val.	62,255	117,277
Retained earnings	512,253	473,962
Cumulative translation adj.	2,215	4,415
Unrealized gains (losses) on certain investments	---	1,134
	<u>583,206</u>	<u>603,502</u>
	<u>\$ 951,084</u>	<u>\$ 1,040,902</u>

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

(Amounts in thousands, except per share data)	June 30, 1996	June 25, 1995	June 26, 1994
Net sales	\$ 1,603,280	\$1,554,557	\$1,384,797
Costs and expenses:			
Cost of sales	1,407,608	1,330,410	1,185,386
Selling, general and administrative expense	45,084	43,116	40,429
Interest expense	14,593	15,452	18,241
Interest income	(6,757)	(10,372)	(8,290)
Other income	(4,390)	(9,659)	(1,238)
Non-recurring charge	23,826	---	13,433
	<u>1,479,964</u>	<u>1,368,947</u>	<u>1,247,961</u>
Income before income taxes and extraordinary item	123,316	185,610	136,836
Provision for income taxes	44,939	69,439	60,344
Income before extraordinary item	<u>78,377</u>	<u>116,171</u>	<u>76,492</u>
Extraordinary item (net of applicable income taxes of \$3,692)	5,898	---	---
Net income	<u>\$ 72,479</u>	<u>\$ 116,171</u>	<u>\$ 76,492</u>
Per share data:			
Primary earnings per share:			
Income before extraordinary item	\$ 1.18	\$ 1.67	\$ 1.08
Extraordinary item	.09	---	---
Net income	<u>\$ 1.09</u>	<u>\$ 1.67</u>	<u>\$ 1.08</u>
Fully diluted net income per share	<u>\$ 1.09</u>	<u>\$ 1.62</u>	<u>\$ 1.08</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands, except per share data)

Shares Outsdg	Com Stk	Cap in Ex- cess of ParVal	Retained Earnings	Cumul Transl Adj	Unrlzd Gns (Losses) on Cert Invtmts
------------------	------------	---------------------------------	----------------------	------------------------	---

Bal Jun 27, 1993	70,340	\$7,034	\$196,133	\$348,821	\$ (5,515)	\$ (920)
Purchase of stk	(98)	(10)	(2,051)	---	---	---
Options exer.d	191	19	899	---	---	---
Cash dividends---						
\$.56 per share	---	---	---	(39,053)	---	---
Net contributions and tax benefits from (to) S Corp shareholders	---	---	4,562	(372)	---	---
Currency translation adjs	---	---	---	---	2,455	---
Change in unrealzd gains(losses) on certain invmts	---	---	---	---	---	28
Net income	---	---	---	76,492	---	---
Reclass of S Corp net earnings to capital in excess of par value	---	---	416	(416)	---	---
Bal Jun 26, 1994	70,433	7,043	199,959	385,472	(3,060)	(892)
Purch. of stk.	(3,362)	(336)	(83,414)	---	---	---
Options exer.d	69	7	732	---	---	---
Cash dividends---						
\$.40 per share	---	---	---	(27,681)	---	---
Currency translation adjs	---	---	---	---	7,475	---
Change in unrealzd gains(losses) on certain invtmts	---	---	---	---	---	2,026
Net income	---	---	---	116,171	---	---
Bal Jun 25, 1995	67,140	6,714	117,277	473,962	4,415	1,134
Purch. of stk.	(2,347)	(235)	(55,315)	---	---	---
Options exer.d	36	4	242	---	---	---
Conversion of 6% subord.d notes	2	---	51	---	---	---
Cash dividends---						
\$.52 per share	---	---	---	(34,188)	---	---
Currency translation adjs	---	---	---	---	(2,200)	---
Change in unrealzd gains(losses) on certain invtmts	---	---	---	---	---	(1,134)
Net income	---	---	---	72,479	---	---
Bal Jun 30, 1996	64,831	\$6,483	\$62,255	\$512,253	\$ 2,215	\$ ---

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	June 30, 1996	June 25, 1995	June 26, 1994
Cash and cash equivalents at beginning of year	\$ 60,350	\$ 80,653	\$ 76,093
Operating activities:			
Net income	72,479	116,171	76,492
Adjustments to reconcile net income to net cash provided by operating activities:			

Extraordinary item (net of applicable income taxes)	5,898	-	-
Income tax effect of extraordinary item	3,692	-	-
Depreciation and amortization	81,889	75,805	70,116
Non-cash portion of non-recurring charge	21,750	-	13,433
Gain on sale of investments	(4,476)	(6,697)	-
Provision for deferred income taxes	(4,795)	7,505	6,939
Other	4,263	(2,316)	(1,492)
Changes in assets and liabilities, excluding effects of acquisition and foreign currency adjustments:			
Receivables	9,428	(11,665)	374
Inventories	13,640	(42,751)	4,921
Other current assets	987	27	(272)
Payables and accruals	(3,789)	19,804	(31,118)
Income taxes	490	(542)	(8,605)
Net-operating activities	<u>201,456</u>	<u>155,341</u>	<u>130,788</u>
Investing activities:			
Capital expenditures	(133,967)	(88,941)	(104,672)
Purchase of investments	(60,474)	(93,671)	(151,565)
Acquisition	(48,444)	-	-
Sale of capital assets	2,290	3,479	3,611
Sale of investments	149,015	94,379	198,855
Sale of subsidiary	-	13,798	-
Proceeds from notes receivable	11,444	5,311	-
Other	-	3	(423)
Net-investing activities	<u>(80,136)</u>	<u>(65,642)</u>	<u>(54,194)</u>
Financing activities:			
Borrowing of long-term debt	225,000	-	-
Repayments of long-term debt	(284,949)	-	(32,221)
Premium paid on early retirement of debt	(7,657)	-	-
Issuance of Company stock	246	739	898
Purchase and retirement of Company stock	(55,550)	(83,750)	(2,061)
Cash dividends paid	(34,188)	(27,681)	(39,053)
Net-financing activities	<u>(157,098)</u>	<u>(110,692)</u>	<u>(72,437)</u>
Currency translation adjustment	<u>(99)</u>	<u>690</u>	<u>403</u>
Net increase (decrease) in cash and cash equivalents	<u>(35,877)</u>	<u>(20,303)</u>	<u>4,560</u>
Cash and cash equivalents at end of year	<u>\$ 24,473</u>	<u>\$ 60,350</u>	<u>\$ 80,653</u>
Cash paid during the year:			
Interest	\$ 18,520	\$ 14,777	\$ 17,487
Income taxes	38,427	61,495	61,653
Non-cash investing and financing activities:			
Assets acquired by issuance of debt	\$ -	\$ -	\$ 7,453
Note receivable obtained from sale of an affiliate	-	10,436	-
Redemption of 6% convertible subordinated notes	1,983	-	-

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

ACCOUNTING POLICIES AND FINANCIAL STATEMENT INFORMATION

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of the Company and all subsidiaries. The accounts of all foreign subsidiaries have been included on the basis of fiscal periods ended three months or less prior to the dates of the consolidated balance sheets. All significant intercompany accounts and transactions have been eliminated.

FISCAL YEAR: The Company's fiscal year is the fifty-two or fifty-three weeks ending the last Sunday in June. The current year ended June 30, 1996, consists of fifty-three weeks. The years ended June 25, 1995, and June 26, 1994, consist of fifty-two weeks.

RECLASSIFICATION: The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

REVENUE RECOGNITION: Substantially all revenue from sales is recognized at the time shipments are made.

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. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiary's functional currency) are included in net income.

CASH AND CASH EQUIVALENTS: Cash equivalents are defined as short-term investments having an original maturity of three months or less.

SHORT-TERM INVESTMENTS: Short-term investments at June 25, 1995, were comprised primarily of high-quality, highly-liquid, marketable securities with original maturities greater than three months. These investments were classified as available-for-sale securities and were carried at fair market value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity.

RECEIVABLES: Certain customer accounts receivable are factored without recourse with respect to credit risk. An allowance for losses is provided for accounts not factored based on a periodic review of the accounts. Reserve for such losses was \$6.6 million at June 30, 1996, and \$6.5 million at June 25, 1995.

INVENTORIES: The Company utilizes the last-in, first-out (LIFO) method for valuing certain inventories representing 63% of all inventories at June 30, 1996, and the first-in first-out (FIFO) method for all other inventories.

Inventory values computed by the LIFO method are lower than current market values. Inventories valued at current or replacement cost would have been approximately \$13.1 million and \$10.3 million in excess of the LIFO valuation at June 30, 1996, and June 25, 1995, respectively. Finished goods, work in process, and raw materials and supplies at June 30, 1996, and June 25, 1995, amounted to \$60.4 million and \$66.1 million; \$13.3 million and \$14.3 million; and \$59.2 million and \$59.0 million, respectively.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment 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.

OTHER ASSETS: Other assets at June 30, 1996, consist primarily of the cash surrender value of key executive life insurance policies, long-term notes receivable, deferred debt expense associated with debt acquired in the current fiscal year and goodwill related to current year acquisitions. The deferred debt expense and goodwill are being amortized on a straight-line method over periods ranging from five to fifteen years. Accumulated amortization at June 30, 1996, was \$1.4 million. In the prior year, other assets were also comprised of marketable equity securities with a fair market value of \$0.3 million. Deferred debt expense associated with the convertible subordinated notes included in other assets at June 25, 1995, was written off as part of the extraordinary charge recorded in fiscal 1996 in conjunction with the debt redemption described in Note 4.

LONG-LIVED ASSETS: In March 1995, the FASB issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," (SFAS 121), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. SFAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company adopted SFAS 121 in the first quarter of 1996. There was no cumulative effect on the Company's financial statements from the initial adoption of SFAS 121; however, the accounting principles described in this statement were utilized in estimating the non-recurring charge discussed in Note 3.

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 pretax operating results. Deferred income taxes have been provided for the tax effect of temporary differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Income taxes have not been provided on the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

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EARNINGS PER SHARE: Earnings per common and common equivalent share are computed on the basis of the weighted average number of common shares outstanding plus, to the extent applicable, common stock equivalents. Average common and common equivalent shares for primary earnings per share were 66,211,344, 69,542,155 and 71,020,075 for fiscal years 1996, 1995 and 1994, respectively. Fully diluted earnings per share amounts are based on 72,422,047, 77,302,035 and 71,026,610 shares for 1996, 1995 and 1994, respectively. The effect of the convertible subordinated notes was antidilutive for the fiscal years 1996 and 1994. The convertible subordinated notes were redeemed in the fourth quarter of the current year.

STOCK-BASED COMPENSATION: In October 1995, the FASB issued Statement No. 123, "Stock-Based Compensation," (SFAS 123). SFAS 123 becomes effective beginning

with the Company's first quarter of fiscal year 1997, and will not have a material effect on the Company's financial position or results of operations. Upon adoption of SFAS 123, the Company will continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," and will provide pro forma disclosures of net income and earnings per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2

ACQUISITION

The acquisition of the Norlina Division of Glen Raven Mills, Inc. was consummated on November 17, 1995. The acquisition, which is not deemed significant to the Company's consolidated net assets or the results of operations, has been accounted for as a purchase and accordingly, the net assets and operations have been included in the Company's consolidated financial statements beginning on the date the acquisition was consummated. The purchase price of \$48.4 million was allocated to the net assets acquired with the excess of cost over fair value of the net assets acquired being approximately \$33.7 million. The excess of cost over fair value of net assets acquired is being amortized on a straight-line basis over 15 years.

NOTE 3

NON-RECURRING CHARGE

During the fiscal 1996 first quarter, the Company recognized a non-recurring charge to earnings of \$23.8 million (\$14.9 million after-tax or \$0.23 per share) related to restructuring plans to further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing operations and the disposition of underutilized assets. The restructuring plan focused on the consolidation of production facilities acquired via mergers during the preceding four years. As part of the restructuring action, the Company closed its spun cotton manufacturing facilities in Edenton and Mount Pleasant, North Carolina with the majority of the manufacturing production being transferred to other facilities. The significant components of the non-recurring charge include \$2.4 million of severance and other employee-related costs from the termination of employees and a \$21.4 million write-down to estimated fair value less the cost of disposal of underutilized assets and consolidated facilities to be disposed. Costs associated with the relocation of equipment or personnel are being expensed as incurred.

In connection with the plan of restructuring and corporate consolidation, the Company has incurred as of June 30, 1996, severance and other employee-related costs of \$1.7 million associated with the termination of 275 employees. Additionally, the Company has charged against the reserve costs incurred associated with the plant closures of \$ 0.6 million and losses incurred from the disposal of assets of \$7.4 million. The Company anticipates that all significant aspects of the consolidation plan associated with the termination of employees will be accomplished by September 1996. However, the ultimate disposal of equipment and facilities may take longer due to current market conditions and the physical locations of the properties. The balance sheet at June 30, 1996, reflects primarily in property, plant and equipment, the net book value of the remaining assets to be disposed amounting to approximately \$17.9 million net of the anticipated losses to be sustained of \$13.4 million. The resulting net carrying value of the

remaining assets to be disposed is equivalent to the expected recoveries of \$4.5 million.

In the fiscal 1994 fourth quarter, the Company recorded a non-recurring charge of \$13.4 million (\$14.1 million after-tax or \$0.20 per share) related to the sale of the Company's investment in its wholly-owned French subsidiary, Unifi Texturing, S.A. (UTSA), and the Company's decision to exit the European nylon market. Of the non-recurring charge, \$3.1 million relates to the loss from the sale of UTSA, \$8.8 million relates to the write-off of goodwill and other intangibles associated with the Company's European nylon operations and \$1.5 million relates to the write-down of nylon production equipment and inventories. The sale was consummated during the first fiscal quarter of 1995. Net cash proceeds from the sale totaled \$13.8 million, excluding \$4.1 million of cash remitted to the Company from UTSA coincident with the sale. The results of operations of UTSA were not significant to the consolidated Company.

NOTE 4

EXTRAORDINARY CHARGE

During the fourth quarter of the current year, the Company recognized an extraordinary after-tax charge of \$5.9 million or \$0.09 per share as a result of the redemption of the \$230 million in 6% convertible subordinated notes due 2002. The notes were redeemed at 103.33% of principal amount, with accrued interest to the date of redemption.

NOTE 5

LONG-TERM DEBT

A summary of long-term debt follows:

(Amounts in thousands)	June 30, 1996	June 25, 1995
Revolving credit facility	\$ 170,000	---
6% convertible subordinated notes due March 15, 2002	---	\$ 230,000

The Company entered a \$400 million revolving credit facility dated April 15, 1996, with a group of financial institutions that extends through April 15, 2001. The rate of interest charged is adjusted quarterly based on a pricing grid which is a function of the ratio of the Company's debt to earnings before income taxes, depreciation, amortization and other non-cash charges. The credit facility provides the Company the option of borrowing at a spread over the base rate (as defined) or the Adjusted London Interbank Offered Rate (LIBOR). The weighted average interest rate for the period ended June 30, 1996, was 5.63%. The Company pays a quarterly facility fee ranging from 0.090% - 0.150%, in accordance with the pricing grid, of the total amount available under the revolving credit facility.

The revolving credit facility also provides the Company the option to borrow funds competitively from the individual lenders, at their discretion, provided that the sum of the competitive bid loans and the aggregate funds committed under the revolving credit facility do not exceed the total committed amount. The revolving credit facility allows the Company to reduce the outstanding commitment in whole or in part upon satisfactory notice up to an amount no less than the sum of the aggregate competitive bid loans and the total committed loans. Any such partial terminations are permanent. The Company may also elect to prepay loans in whole or in part. Amounts paid in accordance with this provision may be reborrowed.

The terms of the revolving credit facility contain, among other provisions, requirements for maintaining certain net worth and other financial ratios and specific limits or restrictions on additional indebtedness, liens and merger

activity. Provisions under this agreement are not considered restrictive to normal operations or anticipated stockholder dividends.

The 6% convertible subordinated notes due March 15, 2002, were redeemed in the fourth quarter of the current fiscal year utilizing the proceeds of the \$400 million revolving credit facility. The Company recorded an extraordinary after-tax charge for the early retirement of debt of \$5.9 million or \$0.09 per share. In accordance with the debt agreement, the note holders had an option to convert their notes at a conversion rate of 33.7 shares of common stock for each \$1,000 principal amount of notes. Notes aggregating \$51,000 were converted into 1,718 shares of common stock in accordance with this provision. The remaining notes, totaling \$229.9 million, were redeemed at 103.33% of principal amount, with accrued interest to the date of redemption.

The fair value of the Company's long-term debt at June 30, 1996, approximates its carrying value.

NOTE 6

INCOME TAXES

The provision for income taxes before extraordinary item consisted of the following:

(Amounts in thousands)	June 30, 1996	June 25, 1995	June 26, 1994
Currently payable:			
Federal	\$42,289	\$51,597	\$45,878
State	6,953	9,501	7,009
Foreign	492	836	518
Total current	<u>49,734</u>	<u>61,934</u>	<u>53,405</u>
Deferred:			
Federal	(4,080)	6,643	6,389
State	(604)	983	835
Foreign	(111)	(121)	(285)
Total deferred	<u>(4,795)</u>	<u>7,505</u>	<u>6,939</u>
Income taxes before extraordinary item	<u>\$44,939</u>	<u>\$69,439</u>	<u>\$60,344</u>

Income taxes were 36.4%, 37.4% and 44.1% of pretax earnings in fiscal 1996, 1995 and 1994, respectively. A reconciliation of the provision for income taxes before extraordinary item with the amounts obtained by applying the federal statutory tax rate is as follows:

	June 30, 1996	June 25, 1995	June 26, 1994
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes net of federal tax benefit	3.3	3.1	3.6
Foreign taxes less than domestic			

rate	(0.8)	(0.7)	(0.2)
Foreign Sales Corporation tax benefit	(0.9)	(0.6)	(0.5)
Research and experimentation credit	(0.6)	---	---
Nondeductible expenses and other	0.4	0.6	6.2
Effective tax rate	<u>36.4%</u>	<u>37.4%</u>	<u>44.1%</u>

The deferred income taxes reflect the net tax effects of temporary differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of June 30, 1996, and June 25, 1995, were as follows:

(Amounts in thousands)	June 30, 1996	June 25, 1995
Deferred tax liabilities:		
Property, plant and equipment	\$43,172	\$51,359
Other items	324	1,596
Total deferred tax liabilities	<u>43,496</u>	<u>52,955</u>
Deferred tax assets:		
Accrued liabilities and valuation reserves	6,683	9,207
Other items	4,588	6,012
Total deferred tax assets	<u>11,271</u>	<u>15,219</u>
Net deferred tax liabilities	\$32,225	\$37,736

NOTE 7

COMMON STOCK

Shares authorized were 500 million in 1996 and 1995. Common shares outstanding at June 30, 1996, and June 25, 1995, were 64,831,366 and 67,140,005, respectively.

The Company has Incentive Stock Option Plans with 1,915,561 shares reserved at June 30, 1996. There remain 122,183 options available for grant at year end. The transactions for 1996, 1995 and 1994 were as follows:

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	1996	1995	1994
Shrs under option---beginng of yr	1,739,968	1,122,694	1,305,095
Granted	165,500	773,317	176,500
Exercised	(55,500)	(68,110)	(189,890)
Canceled (from \$10.19 to \$24.38)	(56,590)	(87,933)	(169,011)
Shrs under option---end of yr	<u>1,793,378</u>	<u>1,739,968</u>	<u>1,122,694</u>
Opts exercisable---end of yr	<u>1,687,018</u>	<u>1,328,900</u>	<u>1,067,055</u>
Option price range	<u>\$3.80-\$25.38</u>	<u>\$3.80-\$25.25</u>	<u>\$1.62-\$24.67</u>
Option price range for	-----	-----	-----

options exercised	\$10.19-\$24.67	\$10.19-\$23.88	\$1.62-\$24.67
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The Company also has a Non-Qualified Stock Option Plan with 702,935 shares reserved at June 30, 1996. There remain 9,416 options available for grant at year end. Transactions for 1996, 1995 and 1994 were as follows:

	1996	1995	1994
Shrs under option---beginng of yr	738,519	331,033	330,000
Granted	---	408,519	2,065
Exercised	---	(1,033)	(1,032)
Canceled (\$25.83)	(45,000)	---	---
Shrs under option---end of yr	<u>693,519</u>	<u>738,519</u>	<u>331,033</u>
Opts exercisable---end of yr	<u>693,519</u>	<u>338,519</u>	<u>331,033</u>
Option price range	<u>\$23.88-\$25.83</u>	<u>\$10.57-\$25.83</u>	<u>\$10.57-25.83</u>
Option price range for options exercised		<u>\$ 10.57</u>	<u>\$ 10.57</u>

Additionally, the Company has granted in fiscal 1996 non-qualified stock options on 195,000 shares, subject to shareholder approval of the 1996 Non-Qualified Stock Option Plan at the annual meeting of shareholders to be held October 24, 1996.

NOTE 8

RETIREMENT PLANS

The Company has a qualified profit-sharing plan, which provides benefits for eligible salaried and hourly employees. The annual contribution to the plan, which is at the discretion of the Board of Directors, amounted to \$17.0 million in 1996, \$17.0 million in 1995 and \$15.8 million in 1994. The Company leases its corporate office building from its profit-sharing plan through an independent trustee.

NOTE 9

LEASES, COMMITMENTS AND CONCENTRATIONS OF CREDIT RISK

The Company is obligated under operating leases consisting primarily of real estate and equipment. Future obligations for minimum rentals under the leases during fiscal years after June 30, 1996, are \$4.5 million in 1997, \$4.7 million in 1998, \$4.1 million in 1999, \$4.0 million in 2000, and \$4.1 million in 2001.

Rental expense was \$4.4 million, \$3.7 million and \$3.2 million for the fiscal years 1996, 1995 and 1994, respectively.

The Company had committed approximately \$59.5 million for the purchase of equipment and facilities at June 30, 1996.

The Company had sales to one customer of approximately 12% in 1996, 11% in 1995 and 12% in 1994.

The concentration of credit risk for the Company with respect to trade receivables is mitigated due to the large number of customers, dispersion across different industries and its factoring arrangements.

NOTE 10

BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company and its subsidiaries are engaged predominantly in the processing of yarns by: texturing of synthetic filament polyester and nylon fiber, and spinning of cotton and cotton blend fibers with sales domestically and internationally, mostly to knitters and weavers for the apparel, industrial, hosiery, home furnishing, automotive upholstery and other end-use markets.

The Company's foreign operations are comprised primarily of its manufacturing facility in Ireland along with its Foreign Sales Corporation and had net sales of \$282.7 million, \$231.1 million and \$178.5 million; pretax income, before the non-recurring charge in 1994, of \$8.9 million, \$10.4 million and \$4.4 million; and identifiable assets of \$150.9 million, \$129.9 million and \$132.0 million in 1996, 1995 and 1994, respectively.

NOTE 11

DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company enters into commodity futures contracts as considered appropriate to reduce the risk of future price increases in connection with the purchase of cotton for projected manufacturing requirements. These forward contracts are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as a component of the product cost. At June 30, 1996, and June 25, 1995, there were no significant futures contracts outstanding.

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 (export sales and purchases) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The Company utilizes some natural hedging to mitigate these transaction exposures. The Company also enters into foreign currency forward contracts for the purchase and sale of European, Canadian and other currencies to hedge balance sheet and income statement currency exposures. These contracts are principally entered into for the purchase of inventory and equipment and sale of Company products into export markets. Counterparties for these instruments are major financial institutions. The Company does not engage in speculative or trading derivative activities. At June 30, 1996, and June 25, 1995, the U.S. dollar equivalent of the contract value of these forward currency exchange agreements was \$21.6 million and \$7.3 million, respectively. The agreements at June 30, 1996, mature through June 1997. Gains and losses on these contracts are deferred and generally recognized as offsets to losses and gains on the foreign currency denominated receivables and payables, thereby reducing exchange rate risk.

The following methods were used by the Company in estimating its fair value disclosures for financial instruments:

CASH AND CASH EQUIVALENTS, TRADE RECEIVABLES AND TRADE PAYABLES---The carrying amounts approximate fair value because of the short maturity of these instruments.

SHORT-TERM INVESTMENTS---The fair value of these instruments are based on quoted market prices.

LONG-TERM DEBT---The fair value of the Company's borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

FOREIGN CURRENCY CONTRACTS---The fair value is based on quotes obtained from brokers or reference to publicly available market information. As of June 30,

1996, and June 25, 1995, the fair value of foreign currency forward contracts approximated contract value.

COMMODITY FUTURES CONTRACTS---The fair value is based on quotes obtained from brokers.

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MANAGEMENT'S REVIEW AND ANALYSIS OF OPERATIONS AND FINANCIAL POSITION

FISCAL 1996

Consolidated net sales increased 3.1% from \$1.555 billion in 1995 to \$1.603 billion in 1996. The growth in net sales was accomplished by a 6.4% increase in per unit average sales price slightly offset by a decline in unit volume of 3.1%. The decline in unit volume corresponds with the general softness experienced by the retail sector during the current year.

Our domestic operations experienced an overall decline in unit volume of 6.2% in 1996. Average per unit sales price for these operations increased approximately 7.5% during this period reflecting a change in product mix to lower-volume, higher-priced products and in response to increased raw material costs. Domestic polyester texturing capacity will increase through the 1997 fiscal year as the Company's construction of a new texturing plant in Yadkinville, North Carolina comes on line.

Sales growth of 45.4% in our international operations reflects increased capacity due to expansion and higher average unit sales prices. Sales from foreign operations are denominated in local currencies and are hedged in part by the purchase of raw materials and services in those same currencies. The net asset exposure is hedged by borrowings in local currencies which minimize the risk of currency fluctuations. In addition, currency exchange rate risk is mitigated by the utilization of foreign currency forward contracts.

Cost of goods sold as a percentage of net sales increased from 85.6% last year to 87.8% this year. On a per unit basis, increases in raw material, packaging and manufacturing costs and depreciation expense together with reduced unit volume offset the effect of higher average sales prices.

Selling, general and administrative expenses as a percentage of net sales in 1996 remained consistent with the prior year at 2.8%. On a dollar basis, selling, general and administrative expenses increased 4.6% from \$43.1 million in 1995 to \$45.1 million in 1996. This increase primarily reflects our ongoing efforts to enhance our information systems to improve the operating performance throughout the Company and the level of service to our customers.

Interest expense declined \$0.9 million or 5.6%, from \$15.5 million in 1995 to \$14.6 million in 1996. In the fourth quarter of the current year the \$230 million of 6% convertible subordinated notes were redeemed. The redemption was funded by the proceeds from a \$400 million, five-year revolving credit facility, which resulted in a lower effective interest rate than the convertible notes. The decrease in the interest rate in combination with the reduction in the debt level to \$170 million at June 30, 1996, contributed to the decline in interest expense. Interest income declined from \$10.4 million in 1995 to \$6.8 million in 1996. This change reflects lower levels of invested funds which were used for capital expenditures, acquisitions, long-term debt extinguishment and the purchase and retirement of Company common stock. Other income declined \$5.3 million from \$9.7 million in 1995 to \$4.4 million in 1996. In the prior year, gains were recognized from the sale of equity affiliates and capital assets in excess of current year gains from the sale of short-term investments and capital assets.

In the first quarter of the current year, the Company recorded a non-recurring charge of \$23.8 million, or an after-tax charge to earnings of \$14.9 million (\$0.23 per share). The significant components of the non-recurring charge included \$2.4 million of severance and other

employee-related costs (\$1.7 million incurred through June 30, 1996, associated with the termination of 275 employees) and a \$21.4 million write-down to estimated fair value less the cost of disposal of underutilized or consolidated assets (\$7.4 million realized as of June 30, 1996). The charge resulted from the plan to restructure and further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing facilities and the disposition of underutilized assets. As part of the restructuring plan, the Company has closed, effective November 17, 1995, the spun yarn manufacturing facilities in Edenton and Mount Pleasant, North Carolina. The Company anticipates no material differences in charges remaining compared to its original estimates.

The effective tax rate has decreased from 37.4% in 1995 to 36.4% in 1996. The decline in the effective tax rate is attributed to the increase in earnings of foreign subsidiaries taxed at rates below the domestic rate and increased federal tax benefits of the Company's Foreign Sales Corporation and research and experimentation tax credits.

During the fourth quarter of the current year, the Company recognized an extraordinary after-tax charge of \$5.9 million or \$0.09 per share as a result of the premium paid for the early retirement of the \$230 million of 6% convertible subordinated notes due 2002.

As a result of the above, the Company realized during the current year net income of \$72.5 million, or \$1.09 per share compared to corresponding totals in the prior year of \$116.2 million or \$1.67 per share. Before the effects of the non-recurring and the extraordinary charges recognized in the current year, the Company had net earnings of \$93.3 million, or \$1.41 per share.

In March 1995, the FASB issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," (SFAS 121). The Company adopted SFAS 121 in the first quarter of 1996. There was no cumulative effect on the Company's financial statements from the initial adoption of SFAS 121; however,

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the accounting principles described in this statement were utilized in estimating the above described non-recurring charge.

In October 1995, the FASB issued Statement No. 123, "Stock Based Compensation," (SFAS 123). SFAS 123 becomes effective beginning with the Company's first quarter of fiscal 1997, and will not have a material effect on the Company's financial position or results of operations. Upon adoption of SFAS 123, the Company will continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB No. 25 "Accounting for Stock Issued to Employees."

FISCAL 1995

Net sales increased 12.3% from \$1.385 billion in 1994 to \$1.555 billion in 1995. The growth was accomplished by an increase in unit volume for the consolidated domestic and international operations. The increase in unit sales volume was predominantly in our lower average priced, natural textured and spun yarn products. The volume increase was supplemented by a slight increase in per unit sales price.

Our domestic operations experienced increased sales volume of approximately 12.4% during 1995 with significant gains noted in natural polyester and spun yarn products. Domestic volume growth was achieved primarily through capacity expansions, acquisitions and ongoing modernization projects. Domestic polyester texturing productive capacity will be increased throughout the 1996 fiscal year

as the Company continues with a modernization project in process in its Reidsville, North Carolina facility and completes construction of a new texturing plant in Yadkinville, North Carolina.

The growth in sales in our international polyester operations was accomplished through increased capacity gained from fiscal 1995 expansions at our Irish facility, higher average unit sales prices which were raised to partially offset escalating raw material costs and to the further weakening of the U.S. dollar compared to the prior year. Texturing capacity will be increased approximately 30% during the upcoming fiscal year due to the installation of new texturing equipment. Sales from foreign operations are denominated in local currencies and are hedged in part by the purchase of raw materials and services in those same currencies. The net asset exposure is hedged by borrowings in local currencies which minimize the risk of currency fluctuations.

Cost of sales as a percentage of sales remained stable at 85.6% for both the 1995 and 1994 fiscal years. On a consolidated basis for fiscal 1995, slight increases in per unit raw material and packaging costs were offset by lower manufacturing costs per unit. Increased sales volume and a shift in product mix to higher-volume, lower-cost items resulted in improved manufacturing costs on a per unit basis. These improvements reflect management's continued efforts to improve operating efficiency and reduce manufacturing cost.

Selling, general and administrative expenses as a percentage of net sales decreased to 2.8% in 1995 from 2.9% in 1994 primarily as a result of further consolidations of operations relating to the previous mergers and an increase in the net sales base.

Interest expense declined \$2.8 million from \$18.3 million in 1994 to \$15.5 million in 1995. The decline was attributable to the retirement of debt acquired in prior year mergers throughout fiscal 1994. The only long-term debt remaining at June 25, 1995, is the \$230 million in convertible subordinate notes issued in March 1992. Interest income increased \$2.1 million from 1994 to 1995 as a result of increased short-term investment levels. Other income increased \$8.4 million from 1994 to 1995 mainly as a result of the recognition of gains from the sale of equity affiliates and capital assets.

The effective income tax rate decreased from 44.1% in 1994 to 37.4% in 1995. This decrease was mainly due to the non-deductible, non-recurring charge in the prior year while no such charge was incurred in 1995. Also contributing to the current year's lower effective tax rate was the increase in the earnings of foreign operations, which are taxed at rates lower than the domestic federal tax rate.

Net income increased 51.9% from \$76.5 million in 1994 to \$116.2 million in 1995. Earnings per share increased from \$1.08 per share from fiscal 1994 to \$1.67 for fiscal 1995, an increase of 54.6%. Net income and net income per share in 1994 before the non-recurring charge were \$90.6 million or \$1.28 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be the Company's primary source of funds to finance operating needs and capital expenditures. Cash generated from operations increased to \$201.5 million for fiscal 1996 compared to \$155.3 million for fiscal 1995. This improvement was achieved through the improved management of working capital and increases in non-cash items including depreciation and amortization, which increased \$6.1 million during fiscal 1996. Additionally, \$21.8 million of the non-recurring charge of \$23.8 million recognized in 1996 for the restructuring and consolidation of certain manufacturing facilities represented non-cash items.

Working capital levels are more than adequate to meet the operating requirements of the Company. We ended the current year with working capital of \$196.2 million which included cash and cash equivalents of \$24.5 million. Cash and short-term investments have decreased \$121.7 million since June 25, 1995, resulting primarily from the

utilization of existing cash to fund the costs of acquisitions, capital expansions, long-term debt extinguishment and the purchase and retirement of Company common stock.

The Company utilized \$80.1 million and \$157.1 million for net investing and financing activities, respectively, during the year ended June 30, 1996. Significant expenditures during fiscal 1996 included \$182.4 million for capacity expansions, upgrades and acquisitions, \$34.2 million for the payment of the Company's cash dividends, \$60.0 million for the net retirement of long-term debt, and \$55.6 million for the purchase and retirement of Company common stock.

On October 21, 1993, the Board of Directors authorized Management to repurchase up to 15 million shares of Unifi's common stock from time to time at such prices as Management feels advisable and in the best interest of the Company. Through June 30, 1996, 5.8 million shares have been repurchased at a total cost of \$141.4 million pursuant to this Board authorization.

At June 30, 1996, the Company has committed approximately \$59.5 million for the purchase and upgrade of equipment and facilities, which is scheduled to be expended during fiscal years 1997 and 1998. A significant component of these committed funds as well as a major component of year to date capital expenditures is the continuing construction of a highly automated, state-of-the-art texturing facility in Yadkinville, North Carolina. We have reached approximately one-fourth of productive capacity in this texturing facility which is scheduled for completion in fiscal 1997.

On April 18, 1996, the Board of Directors approved Unifi's entrance into polyester fiber production in the United States. The facility, to be located in Yadkinville, North Carolina will be capable of producing approximately 150 million pounds of polyester fiber or one-third of the Company's annual domestic need. Expected start-up is in 1998. This new productive capacity will support continued growth opportunities in textured polyester and will increase the Company's long-term competitiveness. The cost of the equipment and the facilities is currently being negotiated and is not included in the \$59.5 million commitment identified in the preceding paragraph.

In the fourth quarter of the current year, the Company redeemed its \$230 million in 6% convertible subordinated notes utilizing proceeds from a \$400 million, five-year revolving credit facility. The combination of the interest rate environment together with the value of its common stock offered the Company an opportunity to replace the subordinated notes with bank debt and simultaneously address the potential dilution of its earnings from conversion of the notes to common stock. At June 30, 1996, the outstanding balance of the revolving credit facility was \$170 million. The remaining balance of the revolving credit facility is available to be used for future capital expenditures, stock repurchases, acquisitions and general corporate purposes.

Management believes the current financial position of the Company in connection with its operations and its access to debt and equity markets are sufficient to meet anticipated capital expenditure, strategic acquisition, working capital and other financial needs.

SUMMARY OF SELECTED FINANCIAL DATA

(Amts in thousands, except per shr data)

	Jun 30, 1996	Jun 25, 1995	Jun 26, 1994	Jun 27, 1993	Jun 28, 1992
Summary of Earnings:					
Net sales	\$1,603,280	\$1,554,557	\$1,384,797	\$1,405,651	\$1,322,910
Cost of sales	1,407,608	1,330,410	1,185,386	1,141,126	1,090,611
Gross profit	195,672	224,147	199,411	264,525	232,299
Selling, general and admn	45,084	43,116	40,429	38,484	38,530
Interest expense	14,593	15,452	18,241	25,785	16,756
Interest income	(6,757)	(10,372)	(8,290)	(13,537)	(5,306)
Other income	(4,390)	(9,659)	(1,238)	(5,775)	(1,598)
Non-recurring chrg	23,826	---	13,433	---	---
Merger expenses	---	---	---	---	24,805
Inc before inc taxes and extraordnry item	123,316	185,610	136,836	219,568	159,112
Provision for inc taxes	44,939	69,439	60,344	82,924	62,263
Inc before extraordnry item	78,377	116,171	76,492	136,644	96,849
Extraordnry item	5,898	---	---	---	---
Net inc	72,479	116,171	76,492	136,644	96,849
Per Shr of Common Stk:					
Inc before extraordnry item	\$ 1.18	\$ 1.67	\$ 1.08	\$ 1.93	\$ 1.38
Extraordnry item	.09	---	---	---	---
Net inc	1.09	1.67	1.08	1.93	1.38
Cash divids	.52	.40	.56	.42	.36
Fin Data:					
Working capital	\$ 196,222	\$ 333,357	\$ 304,274	\$ 320,215	\$ 389,826
Gross prop, plant and equipmt	1,027,128	910,383	848,637	750,552	640,963
Total assets	951,084	1,040,902	1,003,252	1,017,449	989,404
Long-term debt	170,000	230,000	230,000	250,241	328,685
Sharehldrs' equity	583,206	603,502	588,522	545,553	463,043

QUARTERLY RESULTS (Unaudited)

Quarterly financial data for the years ended June 30, 1996, and June 25, 1995, is presented below:

(Amounts in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1995:				
Net sales	\$359,194	\$387,297	\$403,001	\$405,065
Gross profit	48,334	55,115	58,302	62,396
Net income	22,689	28,120	31,050	34,312
Earnings per shr	.32	.40	.45	.50
1996:				
Net sales	\$387,369	\$401,437	\$375,509	\$438,965
Gross profit	44,929	49,255	45,544	55,944
Income before extraordinary item	6,767	24,118	20,747	26,745
Extraordinary item	---	---	---	5,898
Net income	6,767	24,118	20,747	20,847
Income before extraordinary item per shr	.10	.36	.32	.40
Earnings per shr	.10	.36	.32	.32

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MARKET AND DIVIDEND INFORMATION (Unaudited)

The Company's common stock is listed for trading on the New York Stock Exchange. The following table sets forth the range of high and low sales prices of the Unifi Common Stock as reported on the NYSE Composite Tape and the regular cash dividends per share declared by Unifi during the periods indicated.

	High	Low	Dividends
Fiscal year 1994:			
First quarter ended September 26, 1993	\$34.13	\$20.00	\$.14
Second quarter ended December 26, 1993	\$27.63	\$20.88	\$.14
Third quarter ended March 27, 1994	\$27.00	\$21.75	\$.14
Fourth quarter ended June 26, 1994	\$26.63	\$20.50	\$.14
Fiscal year 1995:			
First quarter ended September 25, 1994	\$25.50	\$23.38	\$.10
Second quarter ended December 25, 1994	\$26.63	\$23.88	\$.10
Third quarter ended March 26, 1995	\$29.13	\$25.00	\$.10
Fourth quarter ended June 25, 1995	\$27.75	\$22.63	\$.10

Fiscal year 1996:

First quarter ended September 24, 1995	\$26.63	\$23.50	\$.13
Second quarter ended December 24, 1995	\$25.00	\$21.88	\$.13
Third quarter ended March 24, 1996	\$25.75	\$21.25	\$.13
Fourth quarter ended June 30, 1996	\$28.50	\$23.00	\$.13

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of Unifi, Inc.

We have audited the accompanying consolidated balance sheets of Unifi, Inc. as of June 30, 1996, and June 25, 1995, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 30, 1996, and June 25, 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1996, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Greensboro, North Carolina
July 16, 1996

Exhibit (21)

UNIFI, INC.

SUBSIDIARIES

Name	Address	Incorporation	Percentage of Voting Securities Owned
Unifi, FSC Limited	Agana, Guam	Guam	100%
Unifi Textured Yarns Europe, Ltd.	Letterkenny, Ireland	United Kingdom	100%
Unifi International Service, Inc.	Greensboro, NC	North Carolina	100%

Exhibit (23)

Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unifi, Inc. of our report dated July 16, 1996, included in the 1996 Annual Report to Shareholders of Unifi, Inc.

We also consent to the addition of the financial statement schedule of Unifi, Inc. listed in Item 14(a), to the financial statements covered by our report dated July 16, 1996, incorporated herein by reference.

In addition, we consent to the incorporation by reference in the 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, and 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 of our report dated July 16, 1996, with respect to the consolidated financial statements and schedule of Unifi, Inc. incorporated herein by reference in this Annual Report (Form 10-K) for the year ended June 30, 1996.

ERNST & YOUNG LLP

Greensboro, North Carolina
September 24, 1996

<ARTICLE> 5

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The schedule contains summary financial information extracted from the Company's Annual Report to Shareholders for the fiscal year ended June, 30, 1996, and is qualified in its entirety by reference to such financial statements.

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<F1>Note: Other Equity of \$576,723 is comprised of Capital in Excess of Par Value of \$62,255, Retained Earnings of \$512,253 and Cumulative Translation Adjustment of \$2,215.

</FN>