

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 10-K

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

For the Fiscal Year Ended June 25, 2000 - 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)

(336) 294-4410

(Registrant's telephone no., including area
code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each 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 non-affiliated of the registrant as of August 24, 2000 based on a closing price of \$11.3125 per share: \$580,331,182

Number of shares outstanding as of August 24, 2000: 54,526,659

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Annual Meeting of the Shareholders of Unifi, Inc., to be held on October 26, 2000, are incorporated by reference into Part III.

Exhibits, Financial Statement Schedules and Reports on Form 8-K index is located on pages 32 and 33.

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 one of the largest and most diversified producers and processors of textile yarns in the world. The Company is primarily engaged in the processing of synthetic yarns in two primary business segments, polyester and nylon. The polyester segment is comprised of textured, dyed, twisted and beamed yarns with sales to knitters and weavers that produce fabrics for the apparel, automotive and furniture upholstery, home furnishings, industrial and other end use markets. The nylon segment is comprised of textured nylon and covered spandex products with sales to knitters and weavers that produce fabrics for the apparel, hosiery, socks and other end use markets. See the Consolidated Financial Statements Footnote 2 ("Acquisitions and Alliances") on pages 20 and 21 and Consolidated Financial Statements Footnote 11 ("Investment in Unconsolidated Affiliates") on page 28 of this Report for information concerning recent mergers, acquisitions, alliances and consolidations of the Company's business, which is incorporated herein by reference.

Texturing polyester and nylon filament fiber involves the processing of partially oriented yarn ("POY"), which is either raw polyester or nylon filament fiber purchased from chemical manufacturers or produced internally, to give it greater bulk, strength, stretch, consistent dyeability and a softer feel, thereby making it suitable for use in knitting and weaving of fabrics. The texturing process involves the use of high-speed machines to draw, heat and twist the POY to produce yarn having various physical characteristics, depending on its ultimate end use.

During the fourth quarter of fiscal year 1999, the Company formed Unifi Technology Group, LLC ("UTG"), to provide consulting services focused on integrated manufacturing, factory automation and electronic commerce solutions to other domestic manufacturers. Effective June 1, 1999, UTG acquired the assets of Cimtec, Inc. ("Cimtec"), a manufacturing automation solutions provider, for \$10.5 million. Subsequently, ownership interest in the new entity was sold to certain former Cimtec shareholders and former Unifi executives. See Consolidated Financial Statements Footnote 2 ("Acquisitions and Alliances") on pages 20 and 21 of this Report for additional information on UTG.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The primary third party suppliers of POY to the Company's polyester segment are E. I. DuPont de Nemours and Company ("DuPont"), Nanya Plastics Corp. of America ("Nanya"), Kosa (formerly Hoechst Celanese Corporation), Wellman Industries, Reliance Industries, LTD. Korteks and P.T. Indorama Synthetics TBK, with the majority of the Company's polyester POY being supplied by DuPont. In addition, the Company has polyester POY manufacturing facilities in Yadkinville, North Carolina (which provides approximately 35% of its total domestic polyester POY supply needs) and in Ireland. The production of POY is comprised of two primary processes, polymerisation (performed in Ireland only) and spinning (performed in both Ireland and Yadkinville). The polymerisation process is the

production of polymer by a chemical reaction involving terephthalic acid and ethylene glycol, which are combined to form chip. The spinning process involves the extrusion and melting of chip to form molten polymer. The molten polymer is then extruded through spinnerettes to form continuous multi-filament raw yarn (POY). Substantially all of the raw materials for such manufactured POY are supplied by Nanya for domestic production and by DuPont and Bayer AG for our Irish operation. The primary suppliers of POY to the Company's nylon segment are DuPont, Universal Premier Fibers LLC (formerly Cookson Fibers, Inc.), and Nilit, Ltd. with the majority of the Company's nylon POY being supplied by DuPont.

Effective June 1, 2000, Unifi and DuPont began operating their America's manufacturing alliance to produce polyester filament yarn. The goal of the alliance is to reduce operating costs through collectively planning and operating both companies' POY facilities as a single production unit. The resulting asset optimization, along with the sharing of manufacturing technologies, should result in significant quality and yield improvements and product innovations. See the Consolidated Financial Statements Footnote 2 ("Acquisitions and Alliances") on pages 20 and 21 for further information.

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Although the Company is heavily dependent upon a limited number of suppliers, the Company has not had and does not anticipate any significant difficulty in obtaining its raw POY or raw materials used to manufacture polyester POY.

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

Customers: The Company, in fiscal year ended June 25, 2000, sold its polyester yarns to approximately 1,512 customers and its nylon yarns to approximately 249 customers, one customer's purchases comprised approximately 11% of net sales for the polyester segment during said period, while another customer comprised approximately 20% of net sales for the nylon segment for this time period. The Company does not believe that the loss of any one customer would have a materially adverse effect on either the polyester or nylon segment.

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 innovation, product quality and customer service being essential for differentiating the competitors within the industry. Product innovation gives our customers competitive advantages, while product quality insures manufacturing efficiencies. The Company's polyester and nylon yarns compete in a worldwide market with a number of other foreign and domestic producers of such yarns. In the sale of polyester filament yarns, major domestic competitors are Dillon Yarn Company, Inc., Spectrum Dyed Yarns, Inc. and Milliken & Company and in the sale of nylon yarns major domestic competitors are Jefferson Mills, Inc. and Worldtex, Inc. Additionally, there are numerous foreign competitors that sell polyester and nylon yarns in the United States.

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 full-time employees of the Company is approximately 6,680.

Financial Information About Segments: See the Consolidated Financial Statements Footnote 9 ("Business Segments, Foreign Operations and Concentrations of Credit Risk") on page 25 through page 27 of this Report for the Financial Information About Segments required by Item 101 of Regulation S-K.

Item 2. PROPERTIES

The Company currently maintains a total of 18 manufacturing and warehousing facilities, one central distribution center and one recycling center in North Carolina; one manufacturing and related warehousing facility in Staunton, Virginia; one central distribution center in Fort Payne, Alabama; four manufacturing operations in Letterkenny, County of Donegal, Republic of Ireland; two warehousing locations in Carrickfergus, Ireland; one manufacturing and one office building in Brazil, one manufacturing and administration building in Manchester, England and one manufacturing and administration facility in Bogota, Colombia. All of these facilities, which contain approximately 8.1 million square feet of floor space, with the exception of one plant facility leased from Bank of America Leasing and Capital LLC pursuant to a Sales-leaseback Agreement entered on May 20, 1997, as amended, two warehouses in Carrickfergus, Ireland, the office in Brazil and the plant and office location in Manchester, England are owned in fee simple; and management believes they are in good condition, well maintained, and are suitable and adequate for present utilization.

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The polyester segment of the Company's business uses 16 manufacturing, five warehousing and one dedicated office totaling 5.3 million square feet. The nylon segment of the Company's business utilizes six manufacturing and four warehousing facilities aggregating 2.8 million square feet.

Unifi Technology Group, LLC. ("UTG") leases 9 office locations in four states from which it conducts business utilizing approximately 80,000 square feet.

The Company leases sales offices and/or apartments in New York; Coleshill, England; Oberkotzau, Germany; Lyon, France and Desenzano, Italy.

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 Merrill Lynch Trust Company of North Carolina, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, and Wachovia Bank & Trust Company, N.A., Independent. See the related information included in the Consolidated Financial Statements Footnote 8 ("Leases and Commitments") on page 25 of this Report.

Item 3. LEGAL PROCEEDINGS

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

No matters were submitted to a vote of security holders during the fourth quarter for the fiscal year ended June 25, 2000.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

MATTERS

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.

On July 16, 1998, the Company announced its intention to discontinue the payment of cash dividends and utilize the cash to purchase shares of the Company's common stock. Accordingly, effective July 16, 1998, the Board of Directors of the Company terminated the previously established policy of paying cash dividends equal to approximately 30% of the Company's after tax earnings of the previous fiscal year.

As of August 24, 2000, there were approximately 745 holders of record of the Company's common stock.

	High	Low	Dividends
	-----	-----	-----
Fiscal year 1998:			
First quarter ended September 28, 1997.....	\$43.63	\$35.06	\$.14
Second quarter ended December 28, 1997.....	\$42.25	\$36.38	\$.14
Third quarter ended March 29, 1998.....	\$42.13	\$33.00	\$.14
Fourth quarter ended June 28, 1998.....	\$39.56	\$34.19	\$.14
Fiscal year 1999:			
First quarter ended September 27, 1998.....	\$34.25	\$17.13	\$ --
Second quarter ended December 27, 1998.....	\$20.06	\$11.94	\$ --
Third quarter ended March 28, 1999.....	\$19.56	\$10.69	\$ --
Fourth quarter ended June 27, 1999.....	\$18.56	\$11.56	\$ --
Fiscal year 2000:			
First quarter ended September 26, 1999.....	\$21.25	\$11.00	\$ --
Second quarter ended December 26, 1999.....	\$13.50	\$10.69	\$ --
Third quarter ended March 26, 2000.....	\$12.81	\$ 7.88	\$ --
Fourth quarter ended June 25, 2000.....	\$14.94	\$ 8.44	\$ --

Item 6. SELECTED FINANCIAL DATA

(Amounts in thousands, except per share data)	June 25, 2000 (52 Weeks)	June 27, 1999 (52 Weeks)	June 28, 1998 (52 Weeks)	June 29, 1997 (52 Weeks)	June 30, 1996 (53 Weeks)
	-----	-----	-----	-----	-----
Summary of Earnings:					
Net sales.....	\$1,280,412	\$1,251,160	\$1,377,609	\$1,704,926	\$1,603,280
Cost of sales.....	1,116,841	1,076,610	1,149,838	1,473,667	1,407,608
Gross profit.....	163,571	174,550	227,771	231,259	195,672
Selling, general and administrative expense.....	58,063	55,338	43,277	46,229	45,084
Provision for bad debts.....	8,694	1,129	724	750	--
Interest expense.....	30,294	27,459	16,598	11,749	14,593
Interest income.....	(2,772)	(2,399)	(1,869)	(2,219)	(6,757)
Other (income) expense..	1,052	440	(335)	69	(4,390)
Equity in (earnings) losses of unconsolidated affiliates.....	2,989	(4,214)	(23,030)	399	--

Minority interest.....	9,543	9,401	723	--	--
Non-recurring charge....	--	--	--	--	23,826
Income from continuing operations before income taxes and other items listed below....	55,708	87,396	191,683	174,282	123,316
Provision for income taxes.....	17,675	28,369	62,782	58,617	44,939
Income before extraordinary item and cumulative effect of accounting change.....	38,033	59,027	128,901	115,665	78,377
Extraordinary item, net of tax.....	--	--	--	--	5,898
Cumulative effect of accounting change, net of tax.....	--	2,768	4,636	--	--
Net income.....	38,033	56,259	124,265	115,665	72,479
Per Share of Common Stock:					
Income before extraordinary item and cumulative effect of accounting change (diluted).....	\$.65	\$.97	\$ 2.08	\$ 1.81	\$ 1.18
Extraordinary item (diluted).....	--	--	--	--	(.09)
Cumulative effect of accounting change (diluted).....	--	(.04)	(.07)	--	--
Net income (diluted)....	.65	.93	2.01	1.81	1.09
Cash dividends.....	--	--	.56	.44	.52
Financial Data:					
Working capital.....	\$ 15,604	\$ 216,897	\$ 209,878	\$ 216,145	\$ 196,222
Gross property, plant and equipment.....	1,250,470	1,231,013	1,145,622	1,147,148	1,027,128
Total assets.....	1,354,764	1,365,840	1,333,814	1,018,703	951,084
Long-term debt and other obligations.....	261,830	478,898	458,977	255,799	170,000
Shareholders' equity....	622,438	646,138	636,197	548,531	583,206

Fiscal year 1996 and 1997 amounts include the spun cotton yarn operations that were contributed to Parkdale America, LLC on June 30, 1997. The operating results of our 34% ownership in Parkdale are accounted for as equity in (earnings) losses of unconsolidated affiliates for fiscal 1998, 1999 and 2000.

The Working capital and Long-term debt and other liabilities line items at June 25, 2000, reflect the classification of the outstanding balance under the revolving line of credit of \$211.5 million as a current liability. The revolving line of credit matures in April 2001. The Company intends to refinance this debt on a long-term basis prior to maturity, however, no commitments or agreements were in place to do so at June 25, 2000. When the Company does refinance the debt, amounts owed beyond one year from that date will once again be classified as long-term debt.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL 2000

Following is a summary of operating income by segment for fiscal years 2000 and 1999, as reported regularly to the Company's management:

All

(Amounts in thousands)	Polyester	Nylon	Other	Total
Fiscal 2000				
Net sales.....	\$852,202	\$408,481	\$31,917	\$1,292,600
Cost of sales.....	747,917	352,379	21,024	1,121,320
Selling, general and administrative.....	37,713	15,103	9,952	62,768
Segment operating income.....	\$ 66,572	\$ 40,999	\$ 941	\$ 108,512
Fiscal 1999				
Net sales.....	\$822,763	\$449,009	\$ 1,561	\$1,273,333
Cost of sales.....	719,535	384,772	1,090	1,105,397
Selling, general and administrative.....	38,518	16,271	533	55,322
Segment operating income (loss).....	\$ 64,710	\$ 47,966	\$ (62)	\$ 112,614

As described in Consolidated Financial Statements Footnote 9, the adjustments to revenues and expenses required to reconcile the operating segments to consolidated results are comprised primarily of intersegment sales and cost of sales eliminations, the provision for bad debts and various expenses reported internally at a consolidated level.

Polyester operations

In fiscal 2000, polyester net sales increased \$29.4 million, or 3.6% compared to fiscal 1999. The increase over fiscal year 1999 is primarily attributable to the acquisition of our Brazilian operation in the fourth fiscal quarter of 1999 and the acquisition of our dyed yarn operation in England at the end of our fiscal third quarter. Net domestic sales increased slightly over fiscal 1999 due to strength in our dyeing and twisting operations, offset slightly by pricing pressures in our natural textured business. Internationally, sales in local currency of our Irish Operation declined 5.4% for the year due to lower average selling prices. Volume for our Irish operations increased approximately 2.1% for the year. The currency exchange rate change from the prior year to the current year adversely effected sales translated to U.S. dollars for this operation by \$13.0 million.

As described in the Consolidated Financial Statements Footnote 10 ("Derivative Financial Instruments and Fair Value of Financial Instruments"), the Company utilizes foreign currency forward contracts to hedge exposure for sales in foreign currencies based on anticipated sales orders. Also, the purchases and borrowings in those foreign currencies in which the Company has exchange rate exposure provide a natural hedge and mitigate the effect of adverse fluctuations in exchange rates.

Gross profit on sales for our polyester operations increased \$1.0 million over fiscal year 1999. Gross margin (gross profit as a percentage of net sales) declined from 12.5% in fiscal year 1999 to 12.2% in fiscal year 2000. In the prior year, gross margin for this segment was adversely impacted by a \$4.0 million charge for an early retirement package offered to employees. Gross margin in fiscal 2000 declined primarily as a function of higher fiber prices. Offsetting the effects of higher fiber prices were lower manufacturing costs and increased sales for this segment.

Selling, general and administrative expenses for this segment declined \$0.8 million from 1999 to 2000. In the prior year, this segment was allocated \$5.7 million in selling, general and administrative expenses for the above mentioned early retirement package. Absent this charge, the current year selling, general and adminis-

trative expenses for this segment would have increased \$4.9 million. This increase is primarily attributable to the start-up of our Brazilian operation,

which was only in operation two months of the prior year as well as the increase in this segment's share of increased expenses incurred by our majority-owned subsidiary, UTG. This subsidiary was formed in May 1999 and is a domestic automation solutions provider.

Nylon operations

In fiscal 2000, nylon net sales decreased \$40.5 million, or 9.0% compared to fiscal 1999. Unit volumes for fiscal 2000 decreased by 5.3%, while average sales prices, based on product mix, decreased 3.9%. The reductions in sales volume and price are primarily attributable to the continuing softness of the ladies hosiery market.

Nylon gross profit decreased \$8.1 million and gross margin decreased from 14.3% in 1999 to 13.7% in 2000. This segment's share of the prior year early retirement plan costs impacting gross profit was \$2.6 million. Before the effect of the prior year early retirement expense, gross profit from 1999 to 2000 declined \$10.7 million. This was primarily attributable to lower sales volume and the shift in product mix caused by softness in the hosiery market.

Selling, general and administrative expense allocated to the nylon segment decreased \$1.2 million in fiscal 2000. The nylon segment selling, general and administrative expenses in fiscal 1999 included a charge of \$2.5 million for the aforementioned early retirement plan. Before the effect of this charge, selling general and administrative expenses for this segment would have increased \$1.3 million. This increase is primarily attributable to this segment's share of increased selling, general and administrative expenses generated by UTG.

The "All Other" segment primarily reflects the Company's majority owned subsidiary, UTG established in May 1999. UTG is a domestic automation solutions provider.

Consolidated operations

In the current year, the Company recorded an \$8.0 million provision for bad debts resulting from the general decline of industry conditions.

Interest expense increased \$2.8 million, from \$27.5 million in fiscal 1999 to \$30.3 million in fiscal 2000. The increase in interest expense reflects higher levels of interest-bearing debt outstanding at higher average interest rates during fiscal 2000 and a \$1.4 million reduction in capitalized interest for major construction projects. The weighted average interest rate of our debt outstanding at June 25, 2000 was 6.6%.

Interest income improved by \$373 thousand from 1999 to 2000 primarily as a result of higher levels of invested funds generated by our Irish operation. Other expense increased from \$440 thousand to \$1.1 million from 1999 to 2000. Other income and expense was negatively impacted in the current year by a \$2.6 million write-off related to the abandonment of certain equipment associated with domestic plant consolidations and \$1.7 million in currency losses. These amounts were offset, in part, by a \$1.1 million gain recognized for insurance proceeds recovered for a claim filed for property damage sustained by a tornado and a \$0.6 million gain recognized on the sale of an investment.

Earnings (losses) from our equity affiliates, Parkdale America, LLC. (the "LLC") and Micell Technologies, Inc. ("Micell") totaled \$(3.0) million in fiscal 2000 compared with \$4.2 million in fiscal 1999. The decline in earnings is primarily attributable to the reduced earnings of the LLC and higher start-up expenses at Micell.

Minority interest expense for fiscal 2000 was \$9.5 million compared to \$9.4 million in the prior year. This charge primarily relates to the minority interest share of the earnings of Unifi Textured Polyester LLP formed with Burlington Industries on May 29, 1998. Unifi, Inc. has an 85.42% ownership interest in this entity and Burlington has a 14.58% interest. However, for the first five years of the Partnership, Burlington is entitled to receive the first \$9.4 million in earnings. After the first five years, earnings of the partnership will

be allocated based on ownership percentages.

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The effective tax rate decreased from 32.5% in 1999 to 31.7% in 2000. The difference between the statutory and effective tax rate in fiscal 2000 is primarily due to a reduction of income taxes achieved through the resolution of outstanding issues with taxing authorities.

In the first quarter of fiscal 1999, the Company recognized a cumulative effect of an accounting change of \$4.5 million (\$2.8 million after tax) or \$.04 per diluted share as a result of changing its accounting policy regarding start-up costs. Pursuant to the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," any previously capitalized start-up costs were required to be written-off as a cumulative effect of an accounting change. Accordingly, the Company has written-off the unamortized balance of the previously capitalized start-up costs.

As a result of the above, the Company realized during the current year net income of \$38.0 million, or \$0.65 per diluted share, compared to \$56.3 million, or \$.93 per diluted share for the prior fiscal year period. Before the previously described cumulative effect of an accounting change in the prior year, earnings would have been \$59.0 million or \$0.97 per diluted share.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) and in June 1999, the FASB issued Statement of Financial Accounting Standards No. 137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which delayed the effective date the Company is required to adopt SFAS 133 until its fiscal year 2001. In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment to FASB Statement No. 133." This statement amended certain provisions of SFAS 133. SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not enter into derivative financial instruments for trading purposes. As discussed in Footnote 10 to the Consolidated Financial Statements, the Company enters into forward contracts to hedge certain transactions and commitments in foreign currency. Upon adoption of SFAS 133 in the first fiscal quarter of 2001, these activities will be recognized on the Consolidated Balance Sheet. The Company anticipates that adoption of SFAS 133 will not have a material effect on the Company's earnings.

On March 8, 2000, the Company acquired Intex Yarns Limited (Intex) located in Manchester, England for approximately \$8.0 million plus assumed debt. This acquisition adds high quality, package-dyeing capabilities in Europe and complements the Company's yarn production facility in Letterkenny, Ireland. The acquisition, which is not considered significant to the Company's consolidated net assets or results of operations, was accounted for by the purchase method of accounting.

Effective June 1, 2000, the Company and E.I. DuPont De Nemours and Company (DuPont) initiated a manufacturing alliance to produce polyester filament yarn. The alliance is expected to optimize Unifi's and DuPont's partially oriented yarn (POY) manufacturing facilities, increase manufacturing efficiency and improve product quality. Under its terms, DuPont and Unifi will cooperatively run their polyester filament manufacturing facilities as a single operating unit. This consolidation will shift commodity yarns from our Yadkinville facility to DuPont's Kinston plant, and bring high-end specialty production to

Yadkinville from Kinston and Cape Fear. The companies will split equally the costs to complete the necessary plant consolidation and the benefits gained through asset optimization. Additionally, the companies will collectively attempt to increase profitability through the development of new products. Likewise, the costs incurred and benefits derived from the product innovations will be split equally. DuPont and Unifi will continue to own and operate their respective sites and employees will remain with their respective employers. DuPont will continue to provide POY to the marketplace and will use DuPont technology to expand the specialty product range at each company's sites. Unifi will continue to provide textured yarn to the marketplace.

FISCAL 1999

Following is a summary of operating income by segment for fiscal years 1999 and 1998, as reported regularly to the Company's management:

(Amounts in thousands)	Polyester	Nylon	All Other	Total
-----	-----	-----	-----	-----
Fiscal 1999				
Net sales.....	\$822,763	\$449,009	\$1,561	\$1,273,333
Cost of sales.....	719,535	384,772	1,090	1,105,397
Selling, general and administrative.....	38,518	16,271	533	55,322
	-----	-----	-----	-----
Segment operating income (loss).....	\$ 64,710	\$ 47,966	\$ (62)	\$ 112,614
	=====	=====	=====	=====
Fiscal 1998				
Net sales.....	\$939,780	\$470,994	\$ --	\$1,410,774
Cost of sales.....	797,613	387,428	--	1,185,041
Selling, general and administrative.....	30,223	13,054	--	43,277
	-----	-----	-----	-----
Segment operating income.....	\$111,944	\$ 70,512	\$ --	\$ 182,456
	=====	=====	=====	=====

As described in Consolidated Financial Statements Footnote 9, the adjustments to revenues and expenses required to reconcile the operating segments to consolidated results are comprised primarily of intersegment sales and cost of sales eliminations, the provision for bad debts and various expenses reported internally at a consolidated level.

Polyester operations

In fiscal 1999, polyester net sales decreased \$117.0 million, or 12.5% compared to fiscal 1998. Year-over-year performance continues to be negatively impacted by the continuing effects of Asian imports of yarns, fabric and apparel, which have kept sales volumes, sales pricing and gross margins under pressure both domestically and internationally. The fiscal 1999 over 1998 volume increase of 1.0% was aided by twelve months of sales volume generated by the business venture with Burlington Industries consummated May 29, 1998 (see Consolidated Financial Statements Footnote 13). Average unit sales prices declined 13.5% during fiscal 1999. In addition to the decline in average unit sales prices created by market pressures, the pricing decline was also influenced by decreasing fiber costs and the strengthening of the U.S. dollar. As described in Consolidated Financial Statements Footnote 10, the Company utilizes forward contracts to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Additionally, currency exchange rate risks are mitigated by purchases and borrowings in local currencies. The Company also enters currency forward contracts for committed equipment and inventory purchases. The Company does not

enter into derivative financial instruments for trading purposes.

Polyester gross profit decreased \$38.9 million during fiscal 1999 and gross margins declined from 15.1% in 1998 to 12.5% in 1999. Gross profit for fiscal 1999 was reduced by a \$4.0 million charge resulting from employee acceptance of an early retirement plan. The remainder of the decline in gross profit and gross margin can be attributed to the aforementioned pressures on sales prices caused by imports.

Selling, general and administrative expense allocated to the polyester segment increased \$8.3 million in fiscal 1999. Of this increase, \$5.7 million related to a charge resulting from employee acceptance of an early retirement program offered in fiscal 1999. Selling, general and administrative expense, as a percentage of polyester net sales, increased from 3.2% in fiscal 1998 to 4.7% in fiscal 1999.

Nylon operations

In fiscal 1999, nylon net sales decreased \$22.0 million, or 4.7% compared to fiscal 1998. Unit volumes for fiscal 1999 decreased by 4.8%, while average sales prices, based on product mix, increased 0.1%. The reduction in sales volume is primarily attributable to the continuing decline of the ladies hosiery market. The sales

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price increase was impacted by a minor shift in domestic product mix to lower volume, higher priced products.

Nylon gross profit decreased \$19.3 million and gross margin decreased from 17.7% in 1998 to 14.3% in 1999, due mainly to the previously noted decrease in net sales and the corresponding lack of volume to cover existing fixed manufacturing costs and depreciation. In addition, depreciation increased \$8.0 million in fiscal 1999 over 1998 resulting from the completion in fiscal 1999 of a nylon texturing and covering facility, constructed to replace older equipment and consolidate several of the Company's older nylon facilities. Gross profit was also reduced by a \$2.6 million charge resulting from employee acceptance of an early retirement plan offered in fiscal 1999.

Selling, general and administrative expense allocated to the nylon segment increased \$3.2 million in fiscal 1999. Of this increase, \$2.5 million related to a charge resulting from employee acceptance of an early retirement program offered in fiscal 1999. Selling, general and administrative expense, as a percentage of nylon net sales, increased from 2.8% in fiscal 1998 to 3.6% in fiscal 1999.

The "All Other" segment primarily reflects the Company's majority owned subsidiary, Unifi Technology Group established in May 1999. Unifi Technology Group is a domestic automation solutions provider.

Consolidated operations

Interest expense increased \$10.9 million, from \$16.6 million in fiscal 1998 to \$27.5 million in fiscal 1999. The increase in interest expense reflects higher levels of debt outstanding at higher average interest rates during fiscal 1999 and a \$4.8 million reduction in capitalized interest for major construction projects, as certain significant projects in process during the prior year period have been completed. The weighted average interest rate on debt outstanding at June 27, 1999 was 5.94%.

Interest income improved by \$530 thousand from 1998 to 1999 primarily as a result of higher levels of invested funds. Other expense decreased from \$335 thousand income to \$440 thousand expense from 1998 to 1999.

Earnings from our equity affiliates, Parkdale America, LLC. (the "LLC") and Micell Technologies, Inc. ("Micell") totaled \$4.2 million in fiscal 1999 compared with \$23.0 million in fiscal 1998. The decline in earnings is primarily

attributable to the reduced earnings of the LLC and higher start-up expenses at Micell. The LLC's operations were negatively impacted by excess capacity in the markets and reduced sales volumes as imported apparel eroded their customer's business.

Effective May 29, 1998, the Company formed a limited liability company (the "Partnership") with Burlington Industries, Inc. ("Burlington") to manufacture and market natural textured polyester. The Company has an 85.42% ownership interest in the Partnership and Burlington has 14.58%. However, for the first five years of the Partnership, Burlington is entitled to receive the first \$9.4 million of earnings. Subsequent to this five-year period, earnings are to be allocated based on ownership percentages. Burlington's share of the earnings of the Partnership are reflected as minority interest and amounted to \$9.4 million in fiscal 1999 and \$0.7 million in fiscal 1998.

The effective tax rate decreased from 32.8% in 1998 to 32.5% in 1999. The difference between the statutory and effective tax rate is primarily due to the realization of state tax credits associated with significant capital expenditures and the operating results of our Irish operations that are taxed at a 10.0% effective rate.

In the first quarter of fiscal 1999, the Company recognized a cumulative effect of an accounting change of \$4.5 million (\$2.8 million after tax) or \$.04 per diluted share as a result of changing its accounting policy regarding start-up costs. Pursuant to the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," any previously capitalized start-up costs were required to be written-off as a cumulative effect of an accounting change. Accordingly, the Company has written-off the unamortized balance of the previously capitalized start-up costs.

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As a result of the above, the Company realized during the current year net income of \$56.3 million, or \$0.93 per diluted share, compared to \$124.3 million, or \$2.01 per diluted share for the prior fiscal year period. Before the previously described cumulative effect of an accounting change in the current year, earnings would have been \$59.0 million or \$0.97 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be a primary source of funds to finance operating needs and capital expenditures. Cash generated from operations was \$126.5 million for fiscal 2000, compared to \$209.8 million for fiscal 1999. The primary sources of cash from operations, other than net income, were an increase in accounts payable and accruals of \$27.1 million, and non-cash adjustments aggregating \$124.4 million. Depreciation and amortization of \$90.5 million, the deferred income tax provision of \$10.7 million, the provision for doubtful accounts of \$14.9 million and the losses from unconsolidated equity affiliates, net of distributions of \$6.2 million were the primary components of the non-cash adjustments. Offsetting these sources were increases in accounts receivable and inventories of \$39.3 million and \$18.1 million, respectively and a decrease of income taxes payable of \$4.4 million. All working capital changes have been adjusted to exclude the effects of acquisitions and currency translation. Working capital levels at June 25, 2000, of \$15.6 million reflect the classification of the outstanding balance under the revolving line of credit of \$211.5 million as a current liability. The revolving line of credit matures in April 2001. The Company intends to refinance this debt on a long-term basis prior to maturity, however, no commitment or agreements were in place to do so at June 25, 2000. When the Company does refinance the debt, amounts owed beyond one year from that date will once again be classified as long-term debt.

The Company utilized \$78.1 million for net investing activities and \$69.9 million for net financing activities during fiscal 2000. Significant expenditures during this period included \$58.6 million for capacity expansions and upgrading of facilities and \$8.0 million for acquisitions. A significant component of capital expenditures includes the initial construction costs for the

Company's Unifi Technical Fabrics nonwoven facility and installment payments for related equipment. Additionally, \$16.1 million was expended for investments in equity affiliates, \$48.9 million for the purchase and retirement of Company common stock, \$12.0 million for distributions to minority interest shareholders and \$9.2 million for net payments under long-term debt agreements. The Company purchased, effective March 8, 2000, the polyester dyed yarn plant and equipment of Intex for \$8.0 million.

At June 25, 2000, the Company has committed approximately \$55.1 million for the purchase and upgrade of equipment and facilities during fiscal 2001.

The Company periodically evaluates the carrying value of long-lived assets, including property, plant and equipment and intangibles to determine if impairment exists. If the sum of expected future undiscounted cash flows is less than the carrying amount of the asset, additional analysis is performed to determine the amount of loss to be recognized. The Company continues to evaluate for impairment the carrying value of its polyester natural textured operations and its investment in its spun-yarn partnership. The importation of fiber, fabric and apparel continues to impair sales volumes and margins for these operations and has negatively impacted the U.S. textile and apparel industry in general. The effect of the importation of these products has resulted in downsizing in the U.S. and relocation of production offshore. These operations have operated in the most recent 18-month period at close to break-even, which heighten the focus on impairment issues.

Effective July 26, 2000, the Board of Directors increased the Company's remaining authorization to repurchase up to 10.0 million shares of the Company's common stock. The Company purchased 4.5 million shares in fiscal year 2000 for a total of \$48.9 million. The Company will continue its commitment to repurchase shares of the Company's common stock throughout fiscal year 2001, as deemed appropriate and financially prudent.

Management believes the current financial position of the Company in connection with its operations and access to debt and equity markets are sufficient to meet anticipated capital expenditure, strategic acquisition, working capital, Company common stock repurchases and other financial needs.

EURO CONVERSION

The Company conducts business in multiple currencies, including the currencies of various European countries in the European Union which began participating in the single European currency by adopting the Euro as their common currency as of January 1, 1999. Additionally, the functional currency of our Irish operation and several sales office locations will change before January 1, 2002, from their historical currencies to the Euro. During the period January 1, 1999, to January 1, 2002, the existing currencies of the member countries will remain legal tender and customers and vendors of the Company may continue to use these currencies when conducting business. Currency rates during this period, however, will no longer be computed from one legacy currency to another but instead will first be converted into the Euro. The Company continues to evaluate the Euro conversion and the impact on its business, both strategically and operationally. At this time, the conversion to the Euro has not had, nor is expected to have, a material adverse effect on the financial condition or results of operations of the Company.

FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this annual report contain forward-looking statements within the meaning of federal security laws about the Company's financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets in which the Company operates, management's beliefs and assumptions made by management. Words such as "expects," "anticipates," "believes," "esti-

mates," variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information, future events or otherwise. Factors that may cause actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, availability, sourcing and pricing of raw materials, pressures on sales prices and volumes due to competition and economic conditions, reliance on and financial viability of significant customers, technological advancements, employee relations, changes in construction spending and capital equipment expenditures (including those related to unforeseen acquisition opportunities), the timely completion of construction and expansion projects planned or in process, continued availability of financial resources through financing arrangements and operations, negotiations of new or modifications of existing contracts for asset management and for property and equipment construction and acquisition, regulations governing tax laws, other governmental and authoritative bodies' policies and legislation, the continuation and magnitude of the Company's common stock repurchase program and proceeds received from the sale of assets held for disposal. In addition to these representative factors, forward-looking statements could be impacted by general domestic and international economic and industry conditions in the markets where the Company competes, such as changes in currency exchange rates, interest and inflation rates, recession and other economic and political factors over which the Company has no control.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See the information included in the Consolidated Financial Statements Footnote 10 ("Derivative Financial Instruments and Fair Value of Financial Instruments") on pages 27 and 28 of this Report.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's report of independent auditors and Consolidated Financial Statements and related notes follow on subsequent pages of this Report.

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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 25, 2000, and June 27, 1999, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended June 25, 2000. Our audits also include the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with 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 25, 2000, and June 27, 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 25, 2000, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
 [Signature of Ernst & Young LLP]

Greensboro, North Carolina
 July 18, 2000

Consolidated Balance Sheets

(Amounts in thousands)	June 25, 2000	June 27, 1999
-----	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents.....	\$ 18,778	\$ 44,433
Receivables.....	214,001	185,784
Inventories.....	147,640	129,917
Other current assets.....	2,958	2,015
	-----	-----
Total current assets.....	383,377	362,149
	-----	-----
Property, plant and equipment:		
Land.....	5,560	6,973
Buildings and air conditioning.....	239,245	241,852
Machinery and equipment.....	853,553	848,701
Other.....	152,112	133,487
	-----	-----
	1,250,470	1,231,013
Less accumulated depreciation.....	592,083	541,275
	-----	-----
	658,387	689,738
Investment in unconsolidated affiliates.....	208,918	207,142
Other noncurrent assets.....	104,082	106,811
	-----	-----
	\$1,354,764	\$1,365,840
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable.....	\$ 97,875	\$ 68,716
Accrued expenses.....	50,160	52,889
Income taxes payable.....	2,430	7,392
Current maturities of long-term debt and other current liabilities.....	217,308	16,255
	-----	-----
Total current liabilities.....	367,773	145,252
	-----	-----
Long-term debt and other liabilities.....	261,830	478,898
	-----	-----
Deferred income taxes.....	86,046	78,369
	-----	-----
Minority interests.....	16,677	17,183
	-----	-----
Shareholders' equity:		

Common stock.....	5,516	5,955
Capital in excess of par value.....	--	13
Retained earnings.....	649,444	658,353
Unearned compensation.....	(1,260)	--
Accumulated other comprehensive loss.....	(31,262)	(18,183)
	-----	-----
	622,438	646,138
	-----	-----
	\$1,354,764	\$1,365,840
	=====	=====

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

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Consolidated Statements of Income

(Amounts in thousands, except per share data)

	June 25, 2000	June 27, 1999	June 28, 1998
-----	-----	-----	-----
Net sales.....	\$1,280,412	\$1,251,160	\$1,377,609
	-----	-----	-----
Costs and expenses:			
Cost of sales.....	1,116,841	1,076,610	1,149,838
Selling, general and administrative expense.....	58,063	55,338	43,277
Provision for bad debts.....	8,694	1,129	724
Interest expense.....	30,294	27,459	16,598
Interest income.....	(2,772)	(2,399)	(1,869)
Other (income) expense.....	1,052	440	(335)
Equity in (earnings) losses of unconsolidated affiliates.....	2,989	(4,214)	(23,030)
Minority interest.....	9,543	9,401	723
	-----	-----	-----
	1,224,704	1,163,764	1,185,926
	-----	-----	-----
Income before income taxes and cumulative effect of accounting change.....	55,708	87,396	191,683
Provision for income taxes.....	17,675	28,369	62,782
	-----	-----	-----
Income before cumulative effect of accounting change.....	38,033	59,027	128,901
Cumulative effect of accounting change (net of applicable income taxes of \$1,696 for June 27, 1999 and \$2,902 for June 28, 1998).....	--	2,768	4,636
	-----	-----	-----
Net income.....	\$ 38,033	\$ 56,259	\$ 124,265
	=====	=====	=====
Earnings per common share:			
Income before cumulative effect of accounting change.....	\$.65	\$.97	\$ 2.10
Cumulative effect of accounting change.....	--	(.04)	(.07)
	-----	-----	-----
Net income per common share.....	\$.65	\$.93	\$ 2.03
	=====	=====	=====

Earnings per common share -- assuming dilution:

Income before cumulative effect of accounting change.....	\$.65	\$.97	\$ 2.08
Cumulative effect of accounting change.....	--	(.04)	(.07)
Net income per common share.....	<u>\$.65</u>	<u>\$.93</u>	<u>\$ 2.01</u>

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

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Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income

(Amounts in thousands, except per share data)	Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Unearned Compensation	Other Comprehensive Income	Total Shareholders' Equity	Comprehensive Income Note 1
Balance June 29, 1997...	61,210	\$6,121	\$ --	\$545,099	\$ --	\$ (2,689)	\$548,531	\$110,761
Purchase of stock.....	(539)	(54)	(618)	(19,515)	--	--	(20,187)	--
Options exercised.....	402	40	2,154	--	--	--	2,194	--
Stock option tax benefit.....	--	--	--	2,599	--	--	2,599	--
Stock issued for acquisition.....	561	56	20,918	--	--	--	20,974	--
Cash dividends -- \$.56 per share.....	--	--	--	(34,320)	--	--	(34,320)	--
Currency translation adjustments.....	--	--	--	--	--	(7,859)	(7,859)	(7,859)
Net income.....	--	--	--	124,265	--	--	124,265	124,265
Balance June 28, 1998...	61,634	6,163	22,454	618,128	--	(10,548)	636,197	116,406
Purchase of stock.....	(2,112)	(211)	(23,092)	(16,034)	--	--	(39,337)	--
Options exercised.....	26	3	651	--	--	--	654	--
Currency translation adjustments.....	--	--	--	--	--	(7,635)	(7,635)	(7,635)
Net income.....	--	--	--	56,259	--	--	56,259	56,259
Balance June 27, 1999...	59,548	5,955	13	658,353	--	(18,183)	646,138	48,624
Purchase of stock.....	(4,462)	(446)	(840)	(47,623)	--	--	(48,909)	--
Options exercised.....	1	--	14	--	--	--	14	--
Grantor's trust tax benefit.....	--	--	--	681	--	--	681	--
Stock forfeited to satisfy income tax withholding.....	(53)	(5)	(630)	--	--	--	(635)	--
Issuance of restricted stock.....	129	12	1,443	--	(1,455)	--	--	--
Amortization of restricted stock.....	--	--	--	--	195	--	195	--
Currency translation adjustments.....	--	--	--	--	--	(13,079)	(13,079)	(13,079)
Net income.....	--	--	--	38,033	--	--	38,033	38,033
Balance June 25, 2000...	55,163	\$5,516	\$ --	\$649,444	\$ (1,260)	\$ (31,262)	\$622,438	\$ 24,954

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

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Consolidated Statements of Cash Flows

(Amounts in thousands) June 25, 2000 June 27, 1999 June 28, 1998

Cash and cash equivalents at beginning of year.....	\$ 44,433	\$ 8,372	\$ 9,514
Operating activities:			
Net income.....	38,033	56,259	124,265
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change (net of applicable income taxes).....	--	2,768	4,636
(Earnings) losses of unconsolidated equity affiliates, net of distributions.....	6,200	5,287	(15,282)
Depreciation.....	83,037	82,993	65,033
Amortization.....	7,491	6,883	4,677
Deferred income taxes.....	10,692	4,641	12,201
Provision for bad debts and quality claims.....	14,866	6,241	3,917
Other.....	2,135	415	(350)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables.....	(39,257)	28,234	5,711
Inventories.....	(18,088)	16,320	(793)
Other current assets.....	(1,330)	(948)	1,556
Payables and accruals.....	27,118	(13,959)	(25,213)
Income taxes.....	(4,430)	14,697	1,329
	-----	-----	-----
Net -- operating activities.....	126,467	209,831	181,687
	-----	-----	-----
Investing activities:			
Capital expenditures.....	(58,609)	(118,846)	(250,064)
Acquisitions.....	(7,953)	(27,112)	(25,776)
Investments in unconsolidated equity affiliates.....	(16,069)	(10,000)	(39,492)
Sale of capital assets.....	5,637	847	2,428
Other.....	(1,138)	(4,508)	(2,755)
	-----	-----	-----
Net -- investing activities.....	(78,132)	(159,619)	(315,659)
	-----	-----	-----
Financing activities:			
Borrowing of long-term debt.....	72,342	97,000	440,273
Repayment of long-term debt.....	(81,589)	(61,596)	(252,844)
Issuance of Company stock.....	14	654	2,194
Stock option tax benefit.....	--	--	2,599
Purchase and retirement of Company stock.....	(48,909)	(39,337)	(20,187)
Cash dividends paid.....	--	--	(34,320)
Distributions to minority shareholders.....	(12,000)	(9,000)	--
Other.....	287	249	(4,006)
	-----	-----	-----
Net -- financing activities.....	(69,855)	(12,030)	133,709
	-----	-----	-----
Currency translation adjustment.....	(4,135)	(2,121)	(879)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(25,655)	36,061	(1,142)
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 18,778	\$ 44,433	\$ 8,372
	=====	=====	=====

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

Notes to Consolidated Financial Statements

1. Accounting Policies and Financial Statement Information

Principles of Consolidation: The Consolidated Financial Statements include the accounts of the Company and all majority-owned subsidiaries. The portion of the income applicable to noncontrolling interests in the majority-owned operations is reflected as minority interests in the Consolidated Statements of Income. 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. Investments in 20 to 50% owned companies and partnerships where the Company is able to exercise significant influence, but not control, are accounted for by the equity method and, accordingly, consolidated income includes the Company's share of the affiliates' income.

Fiscal Year: The Company's fiscal year is the fifty-two or fifty-three weeks ending the last Sunday in June. All three fiscal years presented 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: Revenues from sales are 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 and included in comprehensive income. 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.

Receivables: Certain customer accounts receivable are factored without recourse with respect to credit risk. Factored accounts receivable at June 25, 2000, and June 27, 1999, were \$42.9 million and \$41.6 million, respectively. An allowance for losses is provided for known and potential losses arising from yarn quality claims and receivables from customers not factored based on a periodic review of these accounts. Reserves for such losses were \$17.2 million at June 25, 2000 and \$8.7 million at June 27, 1999.

Inventories: The Company utilizes the last-in, first-out ("LIFO") method for valuing certain inventories representing 51.3% of all inventories at June 25, 2000, 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 \$5.9 million and \$0.7 million in excess of the LIFO valuation at June 25, 2000, and June 27, 1999, respectively. Finished goods, work in process, and raw materials and supplies at June 25, 2000, and June 27, 1999, amounted to \$81.2 million and \$69.7 million; \$17.0 million and \$14.6 million; and \$49.4 million and \$45.6 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. For financial reporting purposes, asset lives have been assigned to asset categories over periods ranging between three and forty years.

Other Noncurrent Assets: Other noncurrent assets at June 25, 2000, and June 27, 1999, consist primarily of the cash surrender value of key executive life insurance policies (\$7.7 million and \$8.1 million); unamortized bond issue

costs (\$5.9 million and \$6.7 million); and acquisition related assets consisting of the excess cost over fair value of net assets acquired and other intangibles (\$83.2 million and \$86.3 million), respectively. Bond issue costs are being amortized on the straight-line method over the life of the bonds, which approximates the effective interest method. The acquisition related assets are being amortized on the straight-line method over periods ranging between five and thirty years. Accumulated amortization at June 25, 2000, and June 27, 1999, for bond issue costs and acquisition related assets was \$29.3 million and \$19.2 million, respectively.

Long-Lived Assets: Long-lived assets, including the excess cost over fair value of net assets acquired, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If undiscounted cashflows are not adequate to cover the asset carrying value, additional analysis is conducted to determine the amount of loss to be recognized. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value measured by future discounted cashflows. To date, no impairment losses have been recorded.

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 basis of existing assets and liabilities. Income taxes have not been provided for the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

Earnings Per Share: The following table details the computation of basic and diluted earnings per share:

(Amounts in thousands)	June 25, 2000	June 27, 1999	June 28, 1998
-----	-----	-----	-----
Numerator:			
Income before cumulative effect of accounting change.....	\$38,033	\$59,027	\$128,901
Cumulative effect of accounting change.....	--	2,768	4,636
	-----	-----	-----
Net income.....	\$38,033	\$56,259	\$124,265
	=====	=====	=====
Denominator:			
Denominator for basic earnings per share--weighted averages shares....	58,488	60,568	61,331
Effect of dilutive securities:			
Stock options.....	19	2	525
Restricted stock awards.....	4	--	--
	-----	-----	-----
Diluted potential common shares denominator for diluted earnings per share -- adjusted weighted average shares and assumed conversions.....	58,511	60,570	61,856
	=====	=====	=====

Stock-Based Compensation: With the adoption of SFAS 123, the Company elected to 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." Had the fair value-based method

encouraged by SFAS 123 been applied, compensation expense would have been recorded on the 1,975,570 options granted in fiscal 2000 and the 414,000 options granted in fiscal 1999 based on their respective vesting schedules. The fiscal 2000 options vest in annual increments over five years and the fiscal 1999 options vest primarily over two years. No options were granted in fiscal 1998. Net income in fiscal 2000, 1999 and 1998 restated for the effect would have been \$32.7 million or \$0.56 per diluted share, \$53.3 million or \$0.88 per diluted share and \$122.8 million or \$1.98 per diluted, respectively. The fair value and related compensation expense of the 2000 and 1999 options were calculated as of the issuance date using the Black-Scholes model with the following assumptions:

Options Granted -----	2000	1999
	----	----
Expected life (years).....	10.0	10.0
Interest rate.....	6.00%	6.14%
Volatility.....	49.5%	49.3%

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

Recent Accounting Pronouncements: In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) and in June 1999, the FASB issued Statement of Financial Accounting Standards No. 137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which delayed the effective date the Company is required to adopt SFAS 133 until its fiscal year 2001. In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment to FASB Statement No. 133." This statement amended certain provisions of SFAS 133. SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not enter into derivative financial instruments for trading purposes. As discussed in Footnote 10 to the Consolidated Financial Statements, the Company enters into forward contracts to hedge certain transactions and commitments in foreign currency. Upon adoption of SFAS 133 in the first fiscal quarter of 2001, these activities will be recognized on the Consolidated Balance Sheet. The Company anticipates that adoption of SFAS 133 will not have a material effect on the Company's earnings.

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.

2. Acquisitions and Alliances

Effective June 1, 2000, the Company and E.I. DuPont De Nemours and Company (DuPont) initiated a manufacturing alliance. The alliance is expected to optimize Unifi's and DuPont's partially oriented yarn (POY) manufacturing facilities, increase manufacturing efficiency and improve product quality. Under its terms, DuPont and Unifi will cooperatively run their polyester filament manufacturing facilities as a single operating unit. This consolidation will shift commodity yarns from our Yadkinville facility to DuPont's Kinston plant, and bring high-end specialty production to Yadkinville from Kinston and Cape Fear. The companies will split equally the costs to complete the necessary plant consolidation and the benefits gained through asset optimization. Additionally, the companies will collectively attempt to increase profitability through the development of new products and related technologies. Likewise, the costs incurred and benefits derived from the product innovations will be split equally. DuPont and Unifi will continue to own and operate their respective sites and employees will remain with their respective employers. DuPont will continue to provide POY to the marketplace and will use DuPont technology to expand the specialty product range at each company's sites. Unifi will continue to provide textured yarn to the marketplace. At termination of the alliance or at any time after June 1, 2005, Unifi has the option to purchase from DuPont and DuPont has the right to sell to Unifi, DuPont's U.S. polyester filament business for a price within a predetermined fair market value range.

On March 8, 2000, the Company acquired Intex Yarns Limited (Intex) located in Manchester, England for approximately \$8.0 million plus assumed debt. This acquisition adds high quality, package-dyeing capabilities in Europe and complements the Company's yarn production facility in Letterkenny, Ireland.

During fiscal 1999, the Company formed Unifi do Brasil, LTDA to acquire the assets of Fairway Polyester, LTDA., a Brazilian company, for \$16.6 million effective April 1, 1999. Also, effective June 1, 1999, UNIFI Technology Group LLC (UTG), a newly formed subsidiary of the Company, acquired the assets of Cimtec Inc. ("Cimtec"), a manufacturing automation solutions provider, for \$10.5 million. Subsequently, a five-percent interest in the new entity was sold to certain former Cimtec shareholders and an additional 2.875% was sold to certain former Unifi executives. The Company also granted an additional 2.875% of its ownership interest in UTG to certain Unifi executives which vests in annual increments over a five-year period.

During fiscal 1998, the Company completed its Agreement and Plan of Triangular Merger with SI Holding Company and thereby acquired their covered yarn business for approximately \$46.6 million effective November 17, 1997. Additionally, covenants-not-to-compete were entered into with the principal operating officers of the acquired company in exchange for \$9.2 million, to be paid generally over the terms of the covenants. After allocation of the purchase price to the net assets acquired, the excess of cost over fair value has been valued at \$25.5 million.

The Intex, Brazilian, Cimtec and SI Holding Company acquisitions were all accounted for by the purchase method of accounting 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 transactions are not considered significant to the Company's consolidated net assets or results of operations.

3. Cumulative Effect of Accounting Change

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which requires start-up costs, as defined, to be expensed as incurred. In accordance with this SOP, any previously capitalized start-up costs were required to be written-off as a cumulative effect of a change in accounting principle. The Company, upon adoption of this SOP in the first quarter of fiscal 1999, wrote off the unamortized balance of such previously capitalized start-up costs as of June 29, 1998, of \$4.5 million (\$2.8 million after tax) or \$.04 per diluted share as a cumulative catch-up adjustment.

Pursuant to Emerging Issues Task Force No. 97-13 issued in November 1997, the Company changed its accounting policy in the second quarter of fiscal 1998 regarding a project to install an entirely new computer software system which it began in fiscal 1995. Previously, substantially all direct external costs relating to the project were capitalized, including the portion related to business process reengineering. In accordance with this accounting pronouncement, the unamortized balance of these reengineering costs as of September 28, 1997, of \$7.5 million (\$4.6 million after tax) or \$.07 per diluted share was written off as a cumulative catch-up adjustment in the second quarter of fiscal 1998.

4. Long-Term Debt and Other Liabilities

A summary of long-term debt follows:

(Amounts in thousands)	June 25, 2000	June 27, 1999
-----	-----	-----
Bonds payable.....	\$248,447	\$248,242
Revolving credit facility.....	211,500	217,000
Sale-leaseback obligation.....	3,154	3,355
Other bank debt and other obligations.....	16,037	26,556
	-----	-----
Total debt.....	479,138	495,153
Current maturities.....	217,308	16,255
	-----	-----
Total long-term debt and other liabilities.....	\$261,830	\$478,898
	=====	=====

On February 5, 1998, the Company issued \$250 million of senior, unsecured debt securities (the "Notes") which bear a coupon rate of 6.50% and mature in 2008. The estimated fair value of the Notes, based on quoted market prices, at June 25, 2000, and June 27, 1999, was approximately \$216.9 million and \$229.7 million, respectively.

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 outstanding amounts due on the revolving credit facility at June 25, 2000 have been classified as current maturities. Although the Company intends to refinance or negotiate additional borrowings to replace some or all of the outstanding obligations under the revolving credit facility, no formal commitments were entered into by fiscal year end. 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) for base rate loans or the Adjusted London Interbank Offered Rate (LIBOR) for Eurodollar loans. In accordance with the pricing grid, the Company pays a quarterly facility fee ranging from 0.090%-0.150% of the total amount available under the revolving credit facility. The weighted average interest rates for fiscal years 2000 and 1999 were 6.12% and 5.57%, respectively. At June 25, 2000, and June 27, 1999, the interest rates on the outstanding balances were 6.68% and 5.29%, respectively. As a result of the variable nature of the credit facility's interest rate, the fair value of the Company's revolving credit debt approximates its carrying value.

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 termination is permanent. The Company may also elect to prepay loans in whole or in part. Amounts paid in accordance with this provision may be re-borrowed.

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.

On May 20, 1997, the Company entered into a sales-leaseback agreement with a financial institution whereby land, buildings and associated real and personal property improvements of certain manufacturing facilities were sold to the financial institution and will be leased by the Company over a sixteen-year period. This transaction has been recorded as a direct financing arrangement. On June 30, 1997, the Company entered into a Contribution Agreement associated with the formation of Parkdale America, LLC (see Consolidated Financial Statement Footnote 11). As a part of the Contribution Agreement, ownership of a significant portion of the assets financed under the sales-leaseback agreement and the related debt (\$23.5 million) were assumed by the LLC. Payments for the remaining balance of the sales-leaseback agreement are due semi-annually and are in varying amounts, in accordance with the agreement. Principal payments required over the next five years are approximately \$100 thousand per year. The interest rate implicit in the agreement is 7.84%.

Other obligations consist of acquisition related liabilities due within the next four years. Maturities of the obligations over the next four years are \$5.8 million, \$6.4 million, \$3.3 million and \$.5 million, respectively.

Interest capitalized during fiscal 2000 and 1999 was \$0.6 million and \$2.0 million, respectively.

5. Income Taxes

The provision for income taxes for fiscal 2000, 1999 and 1998 consists of the following:

(Amounts in thousands)	June 25, 2000	June 27, 1999	June 28, 1998
-----	-----	-----	-----
Currently payable:			
Federal.....	\$ 6,629	\$20,124	\$ 43,245
State.....	1,682	2,951	5,704
Foreign.....	(225)	653	1,474
	-----	-----	-----
Total current.....	8,086	23,728	50,423
	-----	-----	-----
Deferred:			
Federal.....	9,772	10,219	23,799
State.....	(261)	(5,718)	(11,715)
Foreign.....	78	140	275
	-----	-----	-----
Total deferred.....	9,589	4,641	12,359
	-----	-----	-----
Income taxes before cumulative effect of accounting change (1999 and 1998).....	\$17,675	\$28,369	\$ 62,782
	=====	=====	=====

Income taxes were 31.7%, 32.5% and 32.8% of pretax earnings in fiscal 2000, 1999 and 1998, respectively. A reconciliation of the provision for income taxes (before cumulative effect of accounting changes, in 1999 and 1998) with the amounts obtained by applying the federal statutory tax rate is as follows:

	June 25, 2000	June 27, 1999	June 28, 1998
	-----	-----	-----
Federal statutory tax rate.....	35.0%	35.0%	35.0%
State income taxes net of federal tax benefit.....	3.7	3.1	2.9
State tax credits net of federal tax benefit.....	(2.1)	(5.1)	(4.9)
Foreign taxes less than domestic rate.....	--	(1.8)	(1.9)
Foreign tax benefit of losses less than domestic rate.....	2.5	--	--
Foreign Sales Corporation tax benefit.....	(1.1)	(0.7)	(0.4)
Research and experimentation credit.....	(0.1)	(0.1)	--
Resolution of tax issues.....	(7.4)	--	--
Nondeductible expenses and other....	1.2	2.1	2.1
	----	----	----
Effective tax rate.....	31.7%	32.5%	32.8%
	====	====	====

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 25, 2000, and June 27, 1999, were as follows:

(Amounts in thousands)	June 25, 2000	June 27, 1999
-----	-----	-----
Deferred tax liabilities:		
Property, plant and equipment.....	\$ 97,051	\$78,241
Investments in equity affiliates.....	19,974	20,883
Other.....	394	--
	-----	-----
Total deferred tax liabilities.....	117,419	99,124
	-----	-----
Deferred tax assets:		
Accrued liabilities and valuation reserves.....	9,795	1,568
State tax credits.....	16,511	17,043
Other items.....	5,067	2,144
	-----	-----
Total deferred tax assets.....	31,373	20,755
	-----	-----
Net deferred tax liabilities.....	\$ 86,046	\$78,369
	=====	=====

6. Common Stock, Stock Option Plans and Restricted Stock

Common shares authorized were 500 million in 2000 and 1999. Common shares outstanding at June 25, 2000, and June 27, 1999, were 55,163,193 and 59,547,819, respectively.

On October 21, 1999, the shareholders of the Company approved the 1999

Unifi, Inc. Long-Term Incentive Plan. The plan authorized the issuance of up to 6,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including Incentive Stock Option ("ISO"), Non-Qualified Stock Option ("NQSO") and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock. The 1,975,570 options granted in fiscal 2000 were all from the 1999 Long-Term Incentive Plan.

In addition, the Company has previous ISO plans with 846,357 shares reserved and previous NQSO plans with 1,576,007 shares reserved at year end. No additional options will be issued under any previous ISO or NQSO plan. The transactions for 2000, 1999 and 1998 of all three plans were as follows:

	ISO		NQSO	
	Options Outstanding	Weighted avg. \$/share	Options outstanding	Weighted avg. \$/share
Fiscal 1998:				
Shares under option -- beginning of year.....	1,446,591	\$20.91	1,159,019	\$26.75
Exercised.....	(504,458)	14.31	(47,852)	25.76
Shares under option -- end of year.....	942,133	\$24.45	1,111,167	\$26.79
Fiscal 1999:				
Granted.....	309,000	\$16.31	105,000	\$17.47
Exercised.....	(833)	16.31	(25,000)	25.65
Canceled.....	(12,435)	17.48	(6,668)	31.00
Converted from ISO to NQSO..	(391,508)	23.24	391,508	23.24
Shares under option -- end of year.....	846,357	\$22.15	1,576,007	\$25.29
Fiscal 2000:				
Granted.....	1,975,570	\$11.90	--	\$ --
Exercised.....	(833)	16.31	--	--
Canceled.....	(16,500)	22.73	(346,832)	24.74
Shares under option -- end of year.....	2,804,594	\$14.93	1,229,175	\$25.44

	Fiscal 2000	Fiscal 1999	Fiscal 1998
ISO:			
Exercisable shares under option -- end of year.....	829,024	685,918	942,133
Option price range.....	\$10.19-\$25.38	\$10.19-\$25.38	\$10.19-\$25.38
Weighted average exercise price for options exercisable.....	\$ 22.14	\$ 23.52	\$ 24.45
Weighted average remaining life of shares under option.....	4.7	6.4	6.2
Fair value of options granted.....	\$ 7.58	\$ 11.21	--

NQSO:

Exercisable shares under option --			
end of year.....	1,229,175	1,542,077	1,021,001
Option price range.....	\$16.31-\$31.00	\$16.31-\$31.00	\$25.38-\$31.00
Weighted average exercise price for			
options exercisable.....	\$ 25.44	\$ 25.48	\$ 26.42
Weighted average remaining life of			
shares under option.....	5.1	6.0	6.8
Fair value of options granted.....	\$ --	\$ 11.21	\$ --

All options granted in fiscal 2000 vest in annual increments over five years from the grant date. Substantially all options granted in fiscal 1999 vest over a two year period from the date of grant.

During fiscal 2000 the Company issued a combined total of 129,500 shares of restricted stock to certain employees under the 1999 Unifi, Inc. Long-Term Incentive Plan. The stock issued vests in equal annual increments over five years from the grant dates. Compensation expense will be recognized over the vesting terms of the shares based on the fair market value at the date of grant.

7. 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 \$11.0 million in both 2000 and 1999 and \$13.0 million in 1998. The Company leases its corporate office building from its profit-sharing plan through an independent trustee.

8. Leases and Commitments

In addition to the direct financing sales-leaseback obligation described in Consolidated Financial Statements Footnote 4, 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 25, 2000, are \$7.3 million in 2001, \$6.3 million in 2002, \$4.5 million in 2003, \$2.7 million in 2004, \$2.2 million in 2005 and \$0.9 million in aggregate thereafter. Rental expense was \$8.5 million, \$7.6 million and \$6.8 million for the fiscal years 2000, 1999 and 1998, respectively. The Company had committed approximately \$55.1 million for the purchase and upgrade of equipment and facilities at June 25, 2000.

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

The Company and its subsidiaries are engaged predominantly in the processing of yarns by texturing of synthetic filament polyester and nylon fiber with sales domestically and internationally, mostly to knitters and weavers for the apparel, industrial, hosiery, home furnishing, automotive upholstery and other end-use markets. Additionally, during fiscal 1999, the Company formed a limited liability company to provide integrated manufacturing, factory automation and electronic commerce solutions to other domestic manufactures. The Company also maintains investments in several minority-owned affiliates. See Footnote 11 in these Consolidated Financial Statements for further information on unconsolidated affiliates.

In accordance with Statement of Financial Accounting Standards No. 131, segmented financial information of the polyester and nylon operating segments, as regularly reported to management for the purpose of assessing performance and allocating resources, is detailed below. "All other" primarily represents the results of the limited liability consulting company in fiscal 2000 and 1999.

(Amounts in thousands)	Polyester	Nylon	All Other	Total
Fiscal 2000				
Net sales to external customers.....	\$852,179	\$408,073	\$20,160	\$1,280,412
Intersegment net sales.....	23	408	11,757	12,188
Depreciation and amortization.....	59,435	22,001	767	82,203
Segment operating income.....	66,572	40,999	941	108,512
Total assets.....	695,363	358,205	17,721	1,071,289
Fiscal 1999				
Net sales to external customers.....	\$805,749	\$443,850	\$ 1,561	\$1,251,160
Intersegment net sales.....	17,014	5,159	--	22,173
Depreciation and amortization.....	58,294	24,142	48	82,484
Segment operating income (loss).....	64,710	47,966	(62)	112,614
Total assets.....	710,277	206,661	13,392	930,330
Fiscal 1998				
Net sales to external customers.....	\$911,704	\$465,905	\$ --	\$1,377,609
Intersegment net sales.....	28,076	5,089	--	33,165
Depreciation and amortization.....	46,003	15,030	--	61,033
Segment operating income.....	111,944	70,512	--	182,456
Total assets.....	650,335	249,754	60	900,149

Segment operating income for fiscal 1999 was reduced \$9.7 million and \$5.1 million for polyester and nylon, respectively, as a result of the early retirement and termination charge in the third quarter (see Consolidated Financial Statements Footnote 14).

Certain indirect manufacturing and selling, general and administrative costs are allocated to the operating segments based on activity drivers relevant to the respective costs. The primary differences between the segmented financial information of the operating segments, as reported to management, and the Company's consolidated reporting relates to intersegment transfer of yarn, fiber costing and capitalization of property, plant and equipment costs. Prior to the current fiscal year, substantially all intersegment transfers of yarn were treated as internal sales at a selling price, which approximated cost plus a normalized profit margin. In the current year, the majority of intersegment yarn transfers were treated as inventory transfers, and profit margins recorded only on intersegment transfers from our dyed operations. Domestic operating divisions' fiber costs are valued on a standard cost basis, which approximates first-in, first-out accounting. For those components of inventory valued utilizing the last-in, first-out method (see Consolidated Financial Statements Footnote 1), an adjustment is made at the corporate level to record the difference between standard cost and LIFO. For significant capital projects, capitalization is delayed for management segment reporting until the facility is substantially complete. However, for consolidated financial reporting, assets are capitalized into construction in progress as costs are incurred or carried as unallocated corporate fixed assets if they have been placed in service but not as yet been moved for management segment reporting.

The increase in nylon total assets is attributable to the reclassification of property, plant and equipment from unallocated corporate fixed assets. This reclassification primarily relates to a new facility that was substantially completed. The change in total assets for the "All Other" segment primarily reflects the establishment of the Company's majority owned subsidiary, Unifi Technology Group in May 1999. Unifi Technology Group is a domestic automation solutions provider.

(Amounts in Thousands)	June 25, 2000	June 27, 1999	June 28, 1998

Depreciation and amortization:			
Depreciation and amortization of specific reportable segment assets.....	\$ 82,203	\$ 82,484	\$ 61,033
Depreciation of unallocated assets..	7,146	6,362	6,138
Amortization of unallocated assets..	3,841	3,373	2,539
	-----	-----	-----
Consolidated depreciation and amortization.....	\$ 93,190	\$ 92,219	\$ 69,710
	=====	=====	=====
Profit:			
Reportable segments operating income.....	\$ 108,512	\$ 112,614	\$ 182,456
Net standard cost (income) expense adjustment to LIFO.....	4,444	(8,040)	(2,038)
Unallocated operating (income) expense project adjustment.....	(1,440)	1,442	--
Provision for bad debts.....	8,694	1,129	724
Interest expense.....	30,294	27,459	16,598
Interest income.....	(2,772)	(2,399)	(1,869)
Other (income) expense.....	1,052	440	(335)
Equity in (earnings) losses of unconsolidated affiliates.....	2,989	(4,214)	(23,030)
Minority interests.....	9,543	9,401	723
	-----	-----	-----
Income before income taxes and cumulative effect of accounting change.....	\$ 55,708	\$ 87,396	\$ 191,683
	=====	=====	=====
Total assets:			
Reportable segments total assets....	\$1,071,289	\$ 930,330	\$ 900,149
Cash, receivables and other current assets.....	16,254	17,661	2,604
Unallocated corporate fixed assets..	44,159	176,161	188,311
Other non-current corporate assets..	38,834	41,085	34,112
Investments in equity affiliates....	208,918	207,142	212,488
Intersegment notes and receivables..	(24,690)	(6,539)	(3,850)
	-----	-----	-----
Consolidated assets.....	\$1,354,764	\$1,365,840	\$1,333,814
	=====	=====	=====

The Company's domestic operations serve customers principally located in the southeastern United States as well as international customers located primarily in Canada, Mexico, Europe and South America. During fiscal 2000, 1999 and 1998 the Company did not have sales to any one customer in excess of 10% of consolidated revenues. Export sales, excluding those to the Company's international operations, aggregated \$182.8 million in 2000, \$153.9 million in 1999 and, \$185.5 million in 1998. 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 geographic regions and its factoring arrangements.

The Company's foreign operations primarily consist of manufacturing operations in Ireland, England, Brazil and Columbia. Net sales, pre-tax operating income and total assets of the Company's foreign and domestic operations are as follows:

(Amounts in Thousands)	June 25, 2000	June 27, 1999	June 28, 1998
Foreign operations:			
Net sales.....	\$ 158,174	\$ 130,766	\$ 136,573
Pre-tax income (loss).....	(4,456)	6,804	15,107
Total assets.....	193,860	173,298	127,586
Domestic operations:			
Net sales.....	\$1,122,238	\$1,120,394	\$1,241,036
Pre-tax income.....	60,164	80,592	176,576
Total assets.....	1,160,904	1,192,542	1,206,228

10. Derivative Financial Instruments and Fair Value of Financial Instruments

The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded (export sales and purchases commitments) 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 the sale of Company products into export markets. Counter-parties for these instruments are major financial institutions.

Currency forward contracts are entered to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Generally, 60-80% of the sales value of these orders are covered by forward contracts. Maturity dates of the forward contracts attempt to match anticipated receivable collections. The Company marks the outstanding accounts receivable and forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other income and expense. The Company also enters currency forward contracts for committed equipment and inventory purchases. Generally 50-75% of the asset cost is covered by forward contracts although 100% of the asset cost may be covered by contracts in certain instances. Forward contracts are matched with the anticipated date of delivery of the assets and gains and losses are recorded as a component of the asset cost. The outstanding hedge agreements as of June 25, 2000 mature through October 2001.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below:

(Amounts in thousands)	June 25, 2000	June 27, 1999	June 28, 1998
Foreign currency purchase contracts:			
Notational amount.....	\$49,343	\$ 2,842	\$29,184
Fair value.....	46,760	3,250	31,418
Net unrecognized (gain) loss.....	\$ 2,583	\$ (408)	\$ (2,234)
Foreign currency sales contracts:			
Notational amount.....	\$26,303	\$28,024	\$28,446
Fair value.....	26,474	27,826	28,646

Net unrecognized (gain)			
loss.....	\$ 171	\$ (198)	\$ 200
	=====	=====	=====

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.

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 (see Consolidated Financial Statements Footnote 4).

Foreign currency contracts -- The fair value is based on quotes obtained from brokers or reference to publicly available market information.

11. Investment in Unconsolidated Affiliates

Investments in affiliates consist of a 34% interest in Parkdale America, LLC (the "LLC") and a 45.27% interest in Micell Technologies, Inc. ("Micell"). The LLC was created on June 30, 1997, when the Company and Parkdale Mills, Inc. ("Parkdale") of Gastonia, North Carolina entered into a Contribution Agreement (the "Agreement") that set forth the terms and conditions whereby each entity's open-end and air jet spun cotton yarn assets and certain long-term debt obligations were contributed to the LLC. In accordance with the Agreement, each entity's inventory, owned real and tangible personal property and improvements thereon and the Company's leased real property associated with the operations were contributed to the LLC. Additionally, the Company contributed \$32.9 million in cash to the LLC on June 30, 1997, \$10.0 million in cash on June 30, 1998, and \$10.0 million on June 30, 1999, whereas Parkdale contributed cash of \$51.6 million on June 30, 1997. The LLC assumed certain long-term debt obligations of the Company and Parkdale in the amounts of \$23.5 million and \$46.0 million, respectively. In exchange for the assets contributed to the LLC and the liabilities assumed by the LLC, the Company received a 34% interest in the LLC and Parkdale received a 66% interest in the LLC.

Condensed balance sheet and income statement information as of June 25, 2000, June 27, 1999 and June 28, 1998 and for the fiscal years ended June 25, 2000, June 27, 1999 and June 28, 1998, of the combined LLC and Micell is as follows:

(Amounts in thousands)	June 25, 2000	June 27, 1999	June 28, 1998
-----	-----	-----	-----
Current assets.....	\$223,068	\$282,004	\$260,358
Noncurrent assets.....	234,093	256,513	264,194
Current liabilities.....	37,632	125,730	134,110
Shareholders' equity and capital accounts.....	398,113	390,935	390,442
Net sales.....	\$507,950	\$594,445	\$652,097
Gross profit.....	33,524	57,915	108,649
Income from operations.....	988	27,653	80,546
Net income.....	2,453	21,262	75,788

The LLC is organized as a partnership for tax purposes. Taxable income is

passed through the LLC to the shareholders in accordance with the Operating Agreement of the LLC. For the fiscal years ended June 25, 2000, June 27, 1999 and June 28, 1998, distributions received by the Company from the LLC amounted to \$3.2 million, \$9.5 million and \$7.7 million, respectively.

12. Supplemental Cash Flow Information

Supplemental cash flow information is summarized below:

(Amounts in thousands)	June 25, 2000	June 27, 1999	June 28, 1998
Cash payments for:			
Interest, net of amounts capitalized.....	\$28,978	\$25,396	\$16,521
Income taxes, net of refunds.....	9,315	8,225	47,488
Stock issued for SI Holding Company acquisition.....	--	--	21,000

13. Minority Interest

Effective May 29, 1998, the Company formed a limited liability company (the "Partnership") with Burlington Industries, Inc. ("Burlington") to manufacture and market natural textured polyester yarns. The Company has an 85.42% interest in the Partnership and Burlington has 14.58%. For the first five years of the Partnership, Burlington is entitled to the first \$9.4 million of earnings. Subsequent to this five-year period, earnings are to be allocated based on ownership percentages. The Partnership's assets, liabilities and earnings are consolidated with those of the Company and Burlington's interest in the Partnership is included in the Company's financial statements as minority interest. Burlington's share of the Partnership earnings in fiscal 2000, 1999 and 1998 amounted to \$9.4 million, \$9.4 million and \$0.7 million, respectively.

14. Early Retirement and Termination Charge

During the third quarter of fiscal 1999, the Company recognized a \$14.8 million charge associated with the early retirement and termination of 114 salaried employees. The charge was recorded as a component of selling, general and administrative expenses in the amount of \$8.2 million and cost of goods sold in the amount of \$6.6 million. Substantially all employees were terminated effective March 31, 1999, with cash payments expected to be spread over a period not to exceed three years. At June 25, 2000, there remained a reserve of \$7.4 million that is expected to equal the future cash expenditures to such terminated employees.

15. Quarterly Results (Unaudited)

Quarterly financial data for the years ended June 27, 1999, and June 25, 2000, is presented below:

(Amounts in thousands, except per share data)	First Quarter (13 Weeks)	Second Quarter (13 Weeks)	Third Quarter (13 Weeks)	Fourth Quarter (13 Weeks)
1999:				
Net sales.....	\$328,815	\$319,854	\$294,805	\$307,686

Gross profit.....	47,477	50,460	29,970	46,643
Income before cumulative effect of accounting change.....	21,030	22,498	1,093	14,406
Cumulative effect of accounting change.....	2,768			
Net income.....	18,262	22,498	1,093	14,406
Income before cumulative effect of accounting change (basic).....	.34	.37	.02	.24
Income before cumulative effect of accounting change (diluted).....	.30	.37	.02	.24
Earnings per share (basic).....	.34	.37	.02	.24
Earnings per share (diluted).....	.30	.37	.02	.24
2000:				
Net sales.....	\$304,714	\$317,589	\$319,302	\$338,807
Gross profit.....	34,259	41,742	42,870	44,700
Net income.....	3,332	10,173	13,236	11,292
Earnings per share (basic).....	.06	.17	.23	.20
Earnings per share (diluted).....	.06	.17	.23	.20

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", "Directors Remaining in Office", "Security Holding of Directors, Nominees, and Executive Officers", "Directors' Compensation", "Committees of the Board of Directors", and compliance with Section 16(a) of The Securities and Exchange Act, beginning on page 2 and ending on page 7 and on page 14 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 25, 2000, 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, IV Mr. Mebane is 70 and has been an Executive Officer and member of the Board of directors of the Company since 1971, serving as President and Chief Executive Officer of the Company until 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 and on January 20, 1999 resumed the positions of Chief Executive Officer (which he held until January 26, 2000). Mr. Mebane has announced that he will retire as an Executive Officer and Chairman of the Board of Directors effective after the Company's annual meeting of shareholders on October 26, 2000.

President and Chief Executive Officer

Brian R. Parke Mr. Parke is 52 and had been the Manager or President of the Company's Irish subsidiary (Unifi Textured Yarns Europe) from its acquisition by the Company in 1984 to January 20, 1999, when he was elected President and Chief Operating Officer of the Company. On January 26, 2000, Mr. Parke was elected Chief Executive Officer of the Company. Additionally, Mr. Parke has been a Vice President of the Company since October 21, 1993 and on July 22, 1999 was elected to the Company's Board of Directors.

Executive Vice Presidents

Willis C. Moore, III Mr. Moore is 47 and had been a Partner with Ernst & Young LLP, or its predecessors from 1975 until December 1994, when he became employed by the Company as its Chief Financial Officer. Mr. Moore was elected as a Vice President of the Company on October 19, 1995, Senior Vice President on October 23, 1997 and Executive Vice President on July 26, 2000. Additionally, Mr. Moore continues to serve as the Company's Chief Financial Officer.

G. Alfred Webster Mr. Webster is 52 and has been a Vice President or Executive Vice President since 1979. He has been a member of the Board of Directors since 1986.

Senior Vice Presidents

Thomas H. Caudle Mr. Caudle is 48 and has been an employee of the Company since 1982. On January 20, 1999, Mr. Caudle was elected as a Vice President of Manufacturing Services of the Company and on July 26, 2000 he was elected as a Senior Vice President in charge of Manufacturing for the Company.

Michael E. Delaney Mr. Delaney is 44 and has been an employee of the Company since January 2000, when he joined the Company as Senior Vice President of Marketing. Prior to coming to the Company, Mr. Delaney was Vice President of Marketing with Volvo Truck N.A. from July 1997 through December 1999, Vice President of Marketing with GE Capital Transport International Pool from December 1995 through July 1997 and Vice President of TIP Intermodel Services from December 1993 through December 1995.

Stewart Q. Little Mr. Little is 46 and has been a Vice President of the Company since October 24, 1985 and a Senior Vice President since January 20, 1999. He is currently serving as Senior Vice President of North American Yarn Sales.

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Ottis "Lee" Gordon Mr. Gordon is 54 and has been an employee of the Company since the Unifi merger with Macfield in 1991. Prior to the merger, Mr. Gordon had been an employee of Macfield since 1973. On January 20, 1999, Mr. Gordon was elected as a Vice President of Product Development of the Company and on July 26, 2000 he was elected as a Senior Vice President of Product Development.

These executive officers, unless otherwise noted, were elected by the Board of Directors of the Registrant at the Annual Meeting of the Board of Directors held on October 21, 1999. Each executive 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.

Item 11. EXECUTIVE COMPENSATION

The information set forth under the headings "Compensation Committee Inter-

locks and Insider Participation in Compensation Decisions", "Report of the Compensation Committee on Executive Compensation", "Executive Officers and Their Compensation", "Options Grants in Fiscal Year 2000", "Option Exercises and Option/SAR Values", "Employment and Termination Agreements", and the "Performance Graph-Shareholder Return on Common Stock" beginning on page 7 and ending on page 14 of the Company's definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 25, 2000, 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 (10i), (10k), (10l), and (10m), of this Form 10-K.

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 5 and page 6 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 25, 2000, which are hereby incorporated by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information included under the heading "Compensation Committee Interlocks and Insider Participation In Compensation Decisions", on page 7 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 25, 2000, and within 120 days after the close of said fiscal year, is incorporated herein by reference.

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 are filed as a part of this Report.

	Pages

Report of Independent Auditors.....	13
Consolidated Balance Sheets at June 25, 2000 and June 27, 1999.....	14
Consolidated Statements of Income for the Years Ended June 25, 2000, June 27, 1999, and June 28, 1998.....	15
Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the Years Ended June 25, 2000, June 27, 1999 and June 28, 1998.....	16
Consolidated Statements of Cash Flows for the Years Ended June 25, 2000, June 27, 1999 and June 28, 1998.....	17
Notes to Consolidated Financial Statements.....	18

2. Financial Statement Schedules

Schedules for the three years ended June 25, 2000:

II -- Valuation and Qualifying Accounts.....	35
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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.

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.

With the exception of the information herein expressly incorporated by reference, the 2000 Proxy Statement is not deemed filed as a part of this Annual Report on Form 10-K.

3. Exhibits

Exhibit No. Description

- (2a-1) Contribution Agreement, dated June 30, 1997, by and between Parkdale Mills, Inc., Unifi, Inc., UNIFI Manufacturing, Inc., and Parkdale America, LLC, filed as Exhibit (2) to Unifi's Form 8-K filed with the Commission on July 15, 1997, which is incorporated herein by reference.
- (3a) Restated Certificate of Incorporation of Unifi, Inc., dated July 21, 1994, filed herewith.
- (3b) Restated by-laws of Unifi, Inc., effective July 22, 1999, (filed as Exhibit (3b) with the Company's Form 10-K for the fiscal year ended June 27, 1999), which is incorporated herein by reference.
- (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.
- (4b) Unifi, Inc.'s Registration Statement for the 6 1/2% Notes due 2008, Series B, filed on Form S-4 (Registration No. 333-49243), which is incorporated herein by reference.
- (4c) Description of Unifi, Inc.'s common stock, filed on November 5, 1998, as Item 5. (Other Events) on Form 8-K, 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.

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Exhibit No. Description

- (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 (filed as Exhibit 10(f) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
- (10g) *Unifi, Inc.'s 1996 Non-Qualified Stock Option Plan (filed as Exhibit 10(g) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
- (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 herewith.
- (10i) *Employment Agreement between Unifi, Inc. and G. Allen Mebane, dated July 19, 1990, filed herewith.
- (10j) 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 as Exhibit (10o) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
- (10k) *Severance Compensation Agreement between Unifi, Inc. and Willis C. Moore, III, dated July 16, 1998, expiring on July 20, 2001 (a similar agreement was signed with Stewart Q. Little) (filed as Exhibit (10q) with the Company's Form 10-K for the fiscal year ended June 28, 1998).
- (10l) *Severance Compensation Agreement between Unifi, Inc. and Brian R. Parke, dated October 1, 1998, expiring on July 20, 2001, (filed as exhibit (10r) with the Company's Form 10-K for the fiscal year ended June 27, 1999) which is incorporated herein by reference.
- (10m) *Agreement, effective February 1, 1999, by and between Unifi, Inc. and Jerry W. Eller, (filed as Exhibit (10s) with the Company's Form 10-K for the fiscal year ended June 27, 1999).
- (10n) *1999 Unifi, Inc. Long-Term Incentive Plan, (filed as Exhibit 99.1 to the Registration Statement on Form S-8, (Registration No. 333-43158), which is incorporated herein by reference.
- (10o) Master Agreement POY Manufacturing Alliance between Unifi, Inc. and E.I. du Pont de Nemours and Company, dated June 1, 2000, filed herewith.
- (21) Subsidiaries of Unifi, Inc.
- (23) Consent of Ernst & Young LLP.
- (27) Financial Data Schedule.

* 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.

(b) Reports on Form 8-K.

None

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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 21, 2000

By: /s/

Brian R. Parke

Brian R. Parke
Chief Executive Officer

September 21, 2000

By: /s/ Willis C. Moore, III

Willis C. Moore, III
Executive Vice President
(Chief Financial Officer)

/s/	G. Allen Mebane, IV	Chairman and	September 21, 2000
-----		Director	
	G. Allen Mebane, IV		
/s/	Brian R. Parke	President, Chief	September 21, 2000
-----		Executive Officer and	
	Brian R. Parke	Director	
/s/	G. Alfred Webster	Executive Vice President	September 21, 2000
-----		and Director	
	G. Alfred Webster		
/s/	Robert A. Ward	Director	September 21, 2000

	Robert A. Ward		
/s/	Jerry W. Eller	Director	September 21, 2000

	Jerry W. Eller		
/s/	Charles R. Carter	Director	September 21, 2000

	Charles R. Carter		
/s/	Kenneth G. Langone	Director	September 21, 2000

	Kenneth G. Langone		
/s/	Donald F. Orr	Director	September 21, 2000

	Donald F. Orr		
/s/	J.B. Davis	Director	September 21, 2000

	J.B. Davis		
/s/	R. Wiley Bourne, Jr.	Director	September 21, 2000

	R. Wiley Bourne, Jr.		
/s/	Richard Greenbury	Director	September 21, 2000

	Sir Richard Greenbury		

(27) Schedule II - Valuation and Qualifying Accounts
(Amounts in thousands)

-----	Column A	Column B	Column C	Column D	Column E	-----
			Additions			

			Charged to			
	Balance at	Charged to	Other			

Description	Beginning of Period	Costs and Expenses	Accounts -- Describe	Deductions -- Describe	Balance at End of Period
Allowance for doubtful accounts (a):					
Year ended June 25, 2000.....	\$8,749	\$14,866	\$ 225 (b)	\$(6,631) (c)	\$17,209
Year ended June 27, 1999.....	8,225	6,241	240 (b)	(5,957) (c)	8,749
Year ended June 28, 1998.....	5,462	3,917	3,665 (b)	(4,819) (c)	8,225

(a) The allowance for doubtful accounts includes amounts estimated not to be collectible for product quality claims, specific customer credit issues and a general provision for bad debts due to the decline in industry conditions.

(b) Includes acquisition related adjustments to write-down acquired accounts receivable to fair market value and effects of currency translation from restating activity of our foreign affiliates from their respective local currencies to the U.S. dollar.

(c) Includes accounts written off which were deemed not to be collectible and customer claims paid, net of certain recoveries.

RESTATED CERTIFICATE OF INCORPORATION

OF

UNIFI, INC.

UNDER SECTION 807 OF THE BUSINESS CORPORATION LAW

THE UNDERSIGNED, Robert A. Ward and Clifford Frazier, Jr., being respectively the Executive Vice President and Secretary of Unifi, Inc., pursuant to Section 807 of the Business Corporation Law of the State of New York, hereby restate, certify, and set forth:

(1) The name of the Corporation is Unifi, Inc.. The name under which the Corporation was formed is Automated Environmental Systems, Inc.

(2) A Certificate of Incorporation of Unifi, Inc. was filed by the Department of State on the 18th day of January, 1969, under the name Automated Environmental Systems, Inc. A Restated Certificate of Incorporation was filed by the Department of State on the 6th day of November, 1990, a Certificate of Amendment was filed by the Department of State on the 13th day of November, 1991, and a Certificate of Amendment was filed by the Department of State on the 20th/ day of January, 1994.

(3) The text of the Certificate of Incorporation is hereby restated without amendment or change to read as herein set forth in full:

"FIRST: The name of the Corporation shall be Unifi, Inc.

SECOND: The purposes for which the Corporation is formed are to texture, prepare, buy, sell, deal in, trade, import, export, and generally deal in synthetic and natural yarns of every type and description.

To dye and finish, knit, buy, sell, acquire, import, export, manufacture, prepare and generally deal in as dyers and finishers, knitters, manufacturers, converters, jobbers, purchasers, or as agents in all types and forms of knitted fabrics including, without limitation, polyesters, acetates, nylon, cotton, wool, rayon, silk, and otherwise with yarn and fabric of every kind and description; and to generally deal in and with any and all things made wholly or in part of composition, imitation, or substitutes of any raw or finished products thereof.

To create, manufacture, contract for, buy, sell, import, export, distribute, job, and generally deal in and with, whether at wholesale or retail, and as principal, agent, broker, factor, commission merchant, licensor, licensee or otherwise, any and all kinds of goods, wares, and merchandise, and, in connection therewith or independent thereof, to construct, establish, and maintain, by any manner or means, factories, mills, buying offices, distribution centers, specialty, and other shops, stores, mail order establishments, concessions, leased departments, and any and all other departments, sites, and locations necessary, convenient or useful in the furtherance of any business of the corporation.

To export from and import into the United States of America and its territories and possessions, and any and all foreign countries, as principal or agent, merchandise of every kind and nature, and to purchase, sell, and deal in and with, at wholesale and retail, merchandise of every kind and nature for exportation from, and importation into the United States, and to and from all countries foreign thereto, and for exportation

from, and importation into, any foreign country, to and from any other country foreign thereto, and to purchase and sell domestic and foreign merchandise in domestic markets, and domestic and foreign merchandise in foreign markets and to do a general foreign and domestic exporting and importing business.

To take, lease, purchase, or otherwise acquire, and to own, use, hold, sell, convey, exchange, lease, mortgage, clear, develop, redevelop, manage, operate, maintain,

control, license the use of, publicize, advertise, promote, and generally deal in and with, whether as principal, agent, broker, or otherwise, real and personal property of all kinds, and, without limiting the generality of the foregoing, stores, shops, markets, supermarkets, departments, and merchandising facilities, shopping centers, recreational centers, discount centers, merchandising outlets of all kinds, parking areas, offices and establishments of all kinds, and to engage in the purchase, sale, lease and rental of equipment and fixtures for the same and for other enterprises, for itself or on behalf of others.

To carry on a general mercantile, industrial, investing, and trading business in all its branches; to devise, invent, manufacture, fabricate, assemble, install, service, maintain, alter, buy, sell, import, export, license as licensor or licensee, lease as lessor or lessee, distribute, job, enter into, negotiate, execute, acquire, and assign contracts in respect of, acquire, receive, grant, and assign licensing arrangements, options, franchises, and other rights in respect of, and generally deal in and with, at wholesale or retail, as principal, and as sales, business, special or general agent, representative, broker, factor, merchant, distributor, jobber, advisor, or in any other lawful capacity, goods, wares, merchandise, commodities, and unimproved, improved, finished, processed, and other real, personal and mixed property of any kind and all kinds, together with the components, resultants, and by-products thereof; to acquire by purchase or otherwise own, hold, lease, mortgage, sell, or otherwise dispose of, erect, construct, make, alter, enlarge, improve, and to aid or subscribe toward the construction, acquisition, or improvement of any factories, shops, storehouses, buildings, and commercial and retail establishments of every character, including all equipment, fixtures, machinery, implements, and supplies necessary, or incidental to, or connected with, any of the purposes or business of the corporation; and generally to perform any and all acts connected therewith or arising therefrom or incidental thereto, and all acts proper or necessary for the purpose of the business.

THIRD: The office of the Corporation is to be located in the City, County and State of New York.

FOURTH: The aggregate number of shares of capital stock which the Corporation shall have the authority to issue is five hundred million shares, all of which are to consist of one class of common stock only of the par value of \$.10 each.

FIFTH: The Secretary of State is designated as the agent of the Corporation, upon whom process against it may be served, and the post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is:

c/o KREINDLER & RELKIN, P.C.
Attn: Donald L. Kreindler, Esquire
Empire State Building
350 Fifth Avenue, 65/th/ Floor
New York, New York 10118.

SIXTH: No holder of any shares of any class of the Corporation shall as such holder have any pre-emptive right or be entitled as a matter of right to subscribe for or to purchase any other shares or securities of any

class which at any time may be sold or offered for sale by the Corporation.

SEVENTH: The number of Directors shall be fixed in the By-Laws but in no case shall be less than nine (9), but this number may be increased and subsequently increased or decreased from time to time by the affirmative vote of the majority of the Board, except that the number of Directors shall not be less than nine (9). The Directors shall be divided into three classes designated as Class 1, Class 2 and Class 3. Each class 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 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. At each Annual Meeting after such initial Classification, Directors to replace those whose terms expire 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 of the year in which his term expires and until his successor shall be elected and qualified, subject to prior death, resignation, retirement, or removal from office.

If the number of Directors is changed pursuant to the By-Laws of the Corporation after the effective date of this ARTICLE SEVENTH, any newly created Directorships or any decrease in Directorships shall be apportioned among the classes so 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, may be filled by the majority of the Directors present at the meeting, 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.

EIGHTH: A Director of the Corporation shall not be liable to the Corporation or its Shareholders for monetary damages for breach of duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under the New York Business Corporation Law as the same exists or may hereafter be amended.

Any repeal or modification of the foregoing paragraph by the Shareholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification."

(4) The restatement of the Certificate of Incorporation was authorized by resolution duly adopted by the Board of Directors of the Corporation at its Regular Meeting on July 21, 1994.

IN WITNESS WHEREOF, this Certificate has been subscribed this the 7/th/ day of September, 1994, by the undersigned, who affirmed that the statements made herein are true under penalties of perjury.

/s/ ROBERT A. WARD

Robert A. Ward
Executive Vice President of
Finance and Administration

/s/ CLIFFORD FRAZIER, JR.

Clifford Frazier, Jr.
Secretary

EXHIBIT (10h)

STATE OF NORTH CAROLINA

LEASE AGREEMENT

COUNTY OF GUILFORD

THIS LEASE AGREEMENT made and entered into this 2/nd/ day of March, 1987, by and between NCNB NATIONAL BANK OF NORTH CAROLINA, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, hereinafter called "Lessor"; WACHOVIA BANK & TRUST COMPANY, N.A., hereinafter called "Independent Fiduciary"; and UNIFI, INC., a New York corporation, hereinafter called "Lessee";

WITNESSETH:

That for and in consideration of the covenants and agreements hereinafter set out, to be kept and performed by Lessee, Lessor has demised and leased, and does hereby demise and lease, to Lessee for the term and upon the conditions hereinafter set out, the following described real property situated in Guilford County, North Carolina, to wit:

BEGINNING at a tack located in the center line of Friendly Road, said tack being situated North 79 degrees 00 minutes 50 seconds East 278.75 feet along said centerline from a tack marking the northwest corner of Lot No. 2 as shown on the survey and recorded plat to which reference is hereinafter made; runs thence from said beginning point along the center line of Friendly Road North 79 degrees 00 minutes 50 seconds East 658.72 feet to a tack located in the center line of Friendly Road, said tack being situated North 79 degrees 00 minutes 50 seconds West 62.48 feet from the northwest corner of property now or formerly belonging to W.A. Stern; runs thence South 05 degrees 13 minutes 30 seconds West 775.88 feet to an iron pipe, said iron pipe marking a control corner with Lot No. 3; runs thence South 79 degrees 00 minutes 50 seconds West 445.22 feet to an iron pipe, said iron pipe marking a control corner with Lot No. 3; runs thence North 10 degrees 44 minutes 50 seconds West 745.00 feet to the point and place of BEGINNING. The same being all of Lot No. 1 according to that survey entitled "Survey for Hiltin Company", dated August 4, 1972 and prepared by Marvin L. Borum and Associates, Registered Engineers, of Greensboro, North Carolina. For reference see plat of property of Tri-City Terminals Inc. recorded in the Office of the Register of Deeds of Guilford County, North Carolina in Plat Book 43 at Page 53.

The above-described property is hereinafter referred to as "premises."

TO HAVE AND TO HOLD said described property and the privileges and appurtenances thereto belonging to Lessee, its successors and assigns, upon the following terms and conditions:

1. TERM. The original term of this Lease shall be for a period of five

(5) years, beginning on the 13/th/ day of March, 1987 and, unless sooner terminated as herein provided, shall continue until midnight on the expiration of five (5) full years.

2. RENTAL: The rental consideration to be paid by the Lessee to

Independent Fiduciary in monthly installments in advance without notice or demand, for the original term of this Lease shall be paid as follows:

(a) The sum of \$18,171.00 shall be due and payable on the 13/th/ day of March, 1987, and a like amount of \$18,171.00 shall be due and payable on the 13/th/ day of each calendar month thereafter, to and including the 13/th/ day of February, 1990; and

(b) The sum of \$21,131,58 shall be due and payable on the 13/th/ day of March, 1990, and a like amount of \$21,131.58 shall be due and payable on the 13/th/ day of each calendar month thereafter, to and including the 13/th/ day of February, 1992 .

3. OPTIONS FOR TWO EXTENSIONS WITH RENT ADJUSTMENTS:

(a) Initial Extension Option. Provided this Lease is in full force

and effect, Lessee shall have the right to extend the term of this Lease for the demised premises at the end of the original five (5) year term, for a first renewal term of five (5) years, provided Lessee shall notify Lessor in writing no later than 180 days prior to the expiration of the original term of this Lease (to wit: the 13/th/ day of September, 1991), that Lessee is exercising its right to extend the Lease. Notwithstanding the foregoing, any such extension shall be subject to the approval of the Independent Fiduciary.

(b) Second Extension Option. If (i) Lessee shall have exercised its

option for the initial renewal term pursuant to the provisions of Section (a), and (ii) if this Lease shall be in full force and effect, Lessee shall have the right to extend the term of this Lease for a second renewal term of five (5) years, commencing on the day following the expiration of the initial renewal term, provided Lessee shall notify Lessor in writing no later than 180 days prior to the expiration of the initial renewal term (to wit: the 13/th/ day of September, 1996) that Lessee is exercising its right to extend the Lease. Notwithstanding the foregoing, any such extension shall be subject to the approval of the Independent Fiduciary.

(c) Renewal Rent Determination. If the Lessee exercises the initial

extension option, the rental consideration for each month of the first three (3) years of such extension will be the Fair Market Rental Value (which for the purposes of this Lease Agreement is the net operating income increased by the deduction, if any, taken for vacancy, hereinafter referred to as "FMRV") as determined by an MAI appraisal for the first year of such extension divided by twelve (12), and the rental consideration for each month for the remaining two (2) years of such extension shall be the FMRV as determined by an MAI appraisal for the fourth year of said extended term divided by twelve (12).

If the Lessee exercises the second extension option, the rental consideration for each month of the first three (3) years of such extension will be the FMRV as determined by an MAI appraisal for the first year of such extension divided by twelve (12), and the rental consideration for each month of the remaining two (2) years of such extension shall be the FMRV as determined by an MAI appraisal for the fourth year of said extended term divided by twelve (12).

The Lessee shall, at its cost, deliver to the Lessor no later than August 13, 1991, or prior to August 2, 1991, an MAI appraisal made within twenty (20) days prior to the date of delivery determining the FMRV for the first three (3) years of the first renewal term and for the last two years of the first renewal term. The Lessee shall, at its cost, deliver to the Lessor no later than August 13, 1996, or prior to August 2, 1996, an MAI appraisal made within

twenty (20) days prior to the date of delivery determining the FMRV for the first three (3) years of the second renewal term and for the last two (2) years of the second renewal term. The FMRV shall be computed under the same formula used in arriving at the net operating income, increased by the amount of deduction taken for vacancy, set forth in the appraisal report (date of value estimate, May 28, 1985, and updated on June 24, 1986) prepared by John McCracken and Associates, Inc. In the event the Lessee does not agree with the FMRV for the initial or second extension options as determined by the MAI appraisal, the parties agree that the actual FMRV for such extensions shall be determined by arbitration under the provisions of Paragraph 21 of this Lease.

The rental consideration to be paid for both the initial extended term and the second extended term shall be paid in monthly installments (rounded off to the nearest dollar) in advance in the same manner as provided in Paragraph 2 with reference to the payment of the rental consideration for the original term of this Lease.

4. Use. Lessee shall use the said property in a careful manner in

connection with the normal operation of its business. No unlawful or offensive use shall be made of the property. Lessee agrees to comply with all laws, ordinances and governmental regulations relating to the use of said property.

5. Maintenance and Repairs. Lessee shall, at its own expense, maintain

the building and demised premises in good condition and repair, including, but not limited to, the foundation, exterior walls, plate glass, roof, heating equipment, air conditioning equipment, plumbing, interior of building, electrical system, and pavement and landscaping around said building, subject to ordinary wear and tear. Repairs, as used in this paragraph, do not mean replacement of such capital improvements as the roof, heating and air conditioning equipment or other major items which might wear out in their ordinary use during the term of this Lease. The Lessee shall indemnify the Lessor against any mechanic lien or other liens arising out of the making of any alterations, repairs, additions or improvements to the premises by the Lessee.

The Lessor shall, at its expense, make all capital improvements, as opposed to repairs, to the roof, heating and air-conditioning system, and other major items in order to keep the same in good repair and operating condition during the original term and any extended term of this Lease. The parties agree that the cost of each capital improvement will be amortized over the life of said improvement, hereinafter sometimes referred to as "annual amortized cost", and the Lessee shall, while it is in possession of the premises, during the life of such improvement pay to the Lessor annually on the anniversary to date of the completion of such capital improvement an amount equal to the annual amortized cost. By way of illustration: If a capital improvement which has a life expectancy of twenty (20) years and costs \$20,000.00, the annual amortized cost would be \$1,000.00, and if the improvement was completed on March 1, 1989, the Lessee would pay to the Lessor on March 1, 1990 and on the 1/st/ day of March each calendar year thereafter while the Lessee is in possession of the premises, to and including the 1/st/ day of March, 1990, the sum of \$1,000.00. Lessee has no obligation to reimburse Lessor for any sums expended in making said capital improvements that have not been paid prior to the termination of this Lease.

6. Insurance. Fire insurance and extended coverage on the leased premises

shall be the responsibility of the Lessee and the amount of coverage shall be the full insurable

value of the leased premises. The policy proceeds shall be payable to the Lessor to the extent of the full insurable value of the leased premises. Lessee will at all times during the term of this Lease, at its own expense, maintain and keep in force a policy of general public liability insurance against claims for personal injury, death or property damage occurring in, on, or about the leased premises, or on or about the streets, sidewalks or premises adjacent to the leased premises, with the Lessor as named insured as its interests may appear. The minimum limits of such general public liability insurance shall be Five Hundred Thousand and No/100 (\$500,000.00) Dollars for injury (or death) to any one person, and One Million and No/100 (\$1,000,000.00) for injury (or death) to more than one person in any one accident or occurrence, and One Hundred Thousand and No/100 (\$100,000.00) Dollars in respect to property damage.

7. Damage by Casualty. If the building located on the demised premises

shall be damaged by fire or other casualty covered by the extended coverage provision of a standard fire insurance policy,

- (a) Lessor shall repair such damage as soon as it is reasonably

possible to do so unless either Lessor or Lessee shall elect to terminate this Lease under the provisions of subparagraph (b) or (c) of this Paragraph 7 in the event the provisions thereof are applicable to such damage;

(b) If the cost of such repairs shall exceed fifty percent (50%) of the reasonable replacement cost of said building immediately prior to the occurrence of such damage, Lessor and Lessee shall each have an option to terminate this Lease by giving to the other written notice of its election to do so within thirty (30) days after the date such damage occurs, such termination to be effective as of the date such damage occurred;

(c) If the extent of the damage is such that the same cannot, with reasonable diligence, be repaired within ninety (90) days or within the number of days equal to one-fourth the unexpired portion of the term, whichever shall be less, after the date such damages occurs, Lessor and Lessee shall each have an option to terminate this Lease by giving to the other written notice of its election to do so within thirty (30) days after the date such damage occurs, such termination to be effective as of the date such damage occurred; and

(d) If this Lease is not terminated under the provisions of subparagraph (b) or (c) of this Paragraph 7, the rent provided for in Paragraph 2 and 3 hereof shall be reduced proportionately with the diminution of the usefulness of the demised premises for the period between the date such damage occurs and the date such damage is repaired.

8. Taxes. During the term of this Lease, Lessee shall be responsible for

all property taxes and similar assessments that may be assessed or levied upon or in respect of the real estate subject to this Lease. Lessee shall furnish to Lessor within thirty (30) days following the end of each calendar year a statement that such taxes have been paid. Lessee shall be responsible for all property taxes that may be assessed or levied upon in respect of all personal property located upon the leased premises, which belong to Lessee. The property taxes in respect of the real estate subject to this Lease for the last calendar year of the term of this Lease will be prorated on a per diem basis.

9. Utilities. Lessee will pay all utility bills connected with the leased

premises during the term of this Lease, including, but not limited to, utility bills for heating, air conditioning and lighting of the demised premises, electricity, telephone, water, sewage, and garbage disposal.

10. Janitorial Service Lessee shall furnish, or cause to be furnished, at

Lessee's expense, janitorial services that will keep the leased premises in a reasonable state of cleanliness for the business being operated therein.

11. Default. The happening of any one or more of the following listed

events (hereinafter referred to singularly as "Event of Default") shall constitute a breach of this Lease Agreement on the part of Lessee, namely:

(a) The filing by, on behalf of, or against Lessee of any petition of pleading to declare Lessee a bankrupt, voluntary or involuntary, under any bankruptcy law or act.

(b) The appointment by any court or under any law of a receiver, trustee, or other custodian of the property, assets, or business of Lessee.

(c) The assignment by Lessee of all or any part of its property or assets for the benefit of creditors.

(d) The failure of Lessee to pay any rent payable under this Lease Agreement.

(e) The failure of Lessee to perform fully and promptly any act required of it in the performance of this Lease or otherwise to comply with any term or provision thereof.

Upon the happening of any event of default and the failure of Lessee to cure or remove the same within thirty (30) days, except in default in the payment of rent which shall be ten (10) days, after written notice from Lessor to do so, Lessor, at its election, may terminate this Lease or may terminate Lessee's right to possession or occupancy only without terminating this Lease by

written notice to Lessee.

Upon termination of this Lease, whether by lapse of time or otherwise, or upon any termination of Lessee's right to possession or occupancy of the premises without terminating this Lease, Lessee shall promptly surrender possession of and vacate the premises and deliver possession thereof to Lessor, and Lessee hereby grants to Lessor full and free license to enter into and upon the premises in such event and with or without process of law to repossess the premises and to expel or remove Lessee and any others who may be occupying the premises and to remove therefrom any and all property, using for such purpose such force as may be necessary without being guilty of or liable for trespass, eviction, or forcible entry or detainer and without relinquishing Lessor's right to rent or any other right given to Lessor hereunder or by operation of law.

If Lessor shall elect to terminate Lessee's right to possession only as above provided, without terminating this Lease, Lessee shall nevertheless remain obligated to pay the rent herein reserved for the full term hereof except to the extent of any credit against said rent which Lessee is entitled by law to receive for the reasonable rental value of said premises or for any rents received by Lessor upon a re-letting of said premises as agent of Lessee, but in the name of Lessor, or for any other credit to which Lessee is entitled by law.

12. Inspection. At all reasonable times, the Independent Fiduciary and

its authorized representatives may inspect the leased property.

13. Sublease. It is understood and agreed that if the Lessee sublets all

or any part of the premises or assigns this Lease, it shall, in either event, remain fully liable to Lessor for full performance of this Lease Agreement.

14. Alterations. Lessee, at its own expense, may make reasonable

alterations to the improvements located upon the leased premises, with the prior written consent of Lessor, which will not be unreasonably withheld.

15. Property of Lessee. All of the equipment or other property installed

in or attached to the premises by Lessee shall be and remain the property of the Lessee and may be removed by the Lessee upon the expiration of the lease period.

16. Eminent Domain. In the event that any portion of the premises shall

be taken by any public authority under the power of eminent domain or like power, which taking shall have significant effect on the operation of the business conducted by the Lessee, this Lease Agreement may be terminated at the option of the Lessee within sixty days of the earlier of the following:

- (a) Specific written notice from Lessor to Lessee advising of the proposed taking and giving all pertinent details with regard thereto; or
- (b) Service of process upon Lessee in a suit of condemnation.

Failure of Lessee to exercise its option of cancellation within such sixty (60) day period shall constitute a forfeiture by Lessee of its right to termination. Damages awarded by the condemning authority shall belong solely to Lessor.

In making the determination as to whether such taking shall have significant effect on the operation of the business conducted by Lessee, Lessor and Lessee shall discuss such and both will apply reasonable judgment. If Lessor and Lessee are unable to agree, then the matter will be determined by three (3) persons who are qualified to make such determination, one of which is selected by Lessor, one of which is selected by Lessee, and the other which is selected by the first two. The determination by these three (3) people will be binding upon Lessor and Lessee.

17. Warranty of Quiet Enjoyment. Lessor covenants that it has full power

and lawful authority to execute this Lease Agreement and that upon compliance by Lessee with the terms and provisions hereof, Lessee shall have enjoyment of the premises during the term hereof.

18. NOTICE: Any notice provided herein shall be deemed sufficient to have

been duly served if the same shall be in writing and mailed, postage prepaid, until another address is furnished, addressed as follows:

Lessor	Lessee
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Wachovia Bank & Trust Company, N.A., Independent Fiduciary Trust Department Winston-Salem, NC 27150 AND NCNB National Bank of North Carolina, Trustee Trust Department Charlotte, NC 28255	Unifi, Inc. P.O. Box 19109 Greensboro, NC 27419-9109

19. Holding Over. In the event the Lessee remains in possession of the

premises after the expiration of the original term without exercising the rights granted in the Paragraph 3, the Lessee shall not acquire any right, title or interest in or to said premises. Lessee, as a result of such holding over, shall occupy the premises as a tenant from month to month with rental consideration as provided in Paragraph 2 or 3, and subject to all conditions, privileges and obligations set forth in this Lease during such holding over period and the Lessor or Lessee shall have the right of canceling said month to month tenancy by giving the other thirty (30) days written notice to vacate.

20. Attorney Fees. Upon the occurrence of any events of default by the

Lessee, the Lessor may employ an attorney to enforce its rights and remedies and the Lessee hereby agrees to pay to the Lessor the sum of 15% of the outstanding rental owing on this Lease or 15% of any recovery for said Breach, whichever amount is the larger as reasonable attorney fees plus all other reasonable expenses incurred by the Lessor in enforcing any of the Lessees' rights and remedies hereunder.

21. Arbitration. Any controversy which may arise between the Lessor and

Lessee regarding the rights, duties, liabilities and FMRV for the initial and second extension options will be settled by arbitration. Such arbitration shall be before three (3) disinterested arbitrators, one named by the Lessor, one named by the Lessee, and one named by the two (2) thus chosen. The arbitrators shall determine the controversy and their determination shall be binding upon both parties. Each party shall pay one-half of the costs of such arbitration.

22. Interpretation. The provisions of this Lease Agreement shall

constitute the entire agreement between the parties. All singular nouns, pronouns shall include plural and all masculine nouns and pronouns shall include the feminine and neuter. This Lease Agreement shall be construed in accordance with the laws of the State of North Carolina. If any provision of this Lease Agreement shall be determined to be void, such determination shall not affect any other provision hereof, and all other provisions shall remain in full force and effect. This

Lease Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors, heirs, executors, administrators and assigns.

23. Memorandum of Lease. A Memorandum of Lease will be executed by the

parties hereto in a form appropriate for recordation upon the public records. The Memorandum of Lease shall include such provisions of this Lease Agreement as may reasonably be requested by either party hereto, but shall not include the amount of rental payments hereunder.

The NNCB National Bank of North Carolina, as Trustee, the Wachovia Bank & Trust Company, N.A., as Independent Fiduciary, and Unifi, Inc. entered into an Independent Fiduciary Agreement on the 3rd/ day of September, 1986, as amended, under which the legal title to the premises would be in the Trustee, with the Independent Fiduciary having the exclusive authority and responsibility for the disposition, management and control of said premises; that the Independent Fiduciary negotiated this Lease Agreement and has directed the Trustee to enter into this Lease Agreement all in accordance with the aforesaid Independent Fiduciary Agreement.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed and attested and the corporate seals attached by the proper officials of the respective parties hereto, the day and year first above written.

TRUSTEE OF THE UNIFI, INC.
PROFIT SHARING PLAN AND TRUST

NNCB NATIONAL BANK OF NORTH CAROLINA

BY: GLENDA G. STEEL

Vice President

ATTEST:

ADA M. GASTON

Assistant Secretary

INDEPENDENT FIDUCIARY UNDER THE
UNIFI, INC. PROFIT SHARING PLAN AND TRUST

WACHOVIA BANK & TRUST COMPANY, N.A.

BY: JOE O. LOVEL

Vice President

ATTEST:

NANCY P. BLEDSOE

Asst. Secretary

UNIFI, INC.

BY: ROBERT A. WARD

Executive Vice President

ATTEST:

C. CLIFFORD FRAZIER, JR.

Secretary

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, MARTHA L. LEE, a Notary Public of said County and State, do hereby certify that ADA M. GASTON, personally came before me this day and acknowledged that she is the ASST. Secretary of the NCNB NATIONAL BANK OF NORTH CAROLINA, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its VICE President, sealed with its corporate seal, and attest by her as its ASST. Secretary.

Witness my hand and notarial seal this the 4TH day of MARCH, 1987.

MARTHA L. LEE

Notary Public

My Commission Expires:

2-27-1991

STATE OF NORTH CAROLINA

COUNTY OF FORSYTH

I, BONNIE D. BINDER, a Notary Public of said County and State, do hereby certify that NANCY P. BLEDSOE, personally came before me this day and acknowledged that she is the ASSISTANT Secretary of the WACHOVIA BANK & TRUST COMPANY, N.A., and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its VICE President, sealed with its corporate seal, and attest by her as its ASSISTANT Secretary.

Witness my hand and notarial seal this the 2ND day of MARCH, 1987.

BONNIE D. BINDER

Notary Public

My Commission Expires:

12-10-90

STATE OF NORTH CAROLINA

COUNTY OF GUILFORD

I, GRETCHEN WEST (THOMPSON), a Notary Public of said County and State, do hereby certify that C. Clifford Frazier, Jr., personally came before me this day and acknowledged that he is the Secretary of UNIFI, INC., and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its EXECUTIVE VICE President, sealed with its corporate seal, and attest by him as its Secretary.

Witness my hand and notarial seal this the 6TH day of MARCH, 1987.

GRETCHEN WEST (THOMPSON)

Notary Public

My Commission Expires:

10-12-87

EXHIBIT (10I)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, entered into this the 19/th/ day of July, 1990 between UNIFI, INC., a New York corporation (hereinafter called "Unifi"), and G. ALLEN MEBANE (hereinafter called "Mr. Mebane");

WITNESSETH:

WHEREAS, Mr. Mebane is presently the Chairman of the Board of Directors, and Chairman of the Executive Committee of Unifi and as such is an integral part of Unifi management; and

WHEREAS, Mr. Mebane, was an original founder and has served as a director of Unifi since its organization; has served as a principal Executive Officer including Chairman of the Board of Directors, President, and Chief Executive Officer whose leadership and expertise have constituted and still constitute a major factor in Unifi's development, growth, and outstanding success; and is thoroughly familiar with Unifi's background, policies and operations in respect to production, finance, sales, and all other aspects of its business; and

WHEREAS, Mr. Mebane, through his knowledge and experience in the textile business both before and after the organization of Unifi is exceptionally well qualified, fitted and equipped to continue as a principal Executive Officer of Unifi to wit the Chairman of its Board of Directors and Executive Committee and as a consultant after his retirement as an active Executive Officer of Unifi; and

WHEREAS, Unifi deems it to be in its best interest to retain the unique experience, ability and leadership of Mr. Mebane for the company, and for such subsidiaries and affiliates as it may from time to time create or acquire, for a fixed term of years, as an Executive officer and thereafter in consultative capacity; and

WHEREAS, Unifi and Mr. Mebane entered into an Employment Agreement dated the 18th day of July 1985 and the parties hereto agreed that said 1985 Employment Agreement shall terminate effective as of July 1, 1990, upon the execution of this agreement.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

Part I. EMPLOYMENT.

Section 1. Executive Employment. Unifi hereby employs Mr. Mebane and Mr.

Mebane hereby accepts employment in a principal executive and managerial capacity, with the designations of Chairman of the Board of Directors and Chairman of the Executive Committee or such other titles as the Board of Directors may designate for a term of ten years commencing on the first day of July 1990 and terminating on the 30/th/ day of June 2000 (hereinafter referred to as executive period), unless sooner terminated, on the terms and conditions herein set out.

Section 2. Consultative Capacity. Upon the termination of his executive

employment as provided in Section 1 above, Unifi shall still retain Mr. Mebane and Mr. Mebane agrees to continue serving the company in an advisory or consultative capacity (hereinafter sometimes referred to as consultant period or consultant) until June 30, 2005 on the terms and conditions herein set forth.

Part II. EXECUTIVE EMPLOYMENT.

Section 1. Compensation. For all services rendered by Mr. Mebane during

his executive employment, Unifi agrees to pay Mr. Mebane a salary of \$800,000.00 per annum ("Base Compensation"), payable in installments and in the same frequency as other Executive Officers are paid, plus such additional compensation and bonuses as may be awarded from time to time to Mr. Mebane by the Board of Directors of Unifi.

Section 2. Duties. Mr. Mebane is employed during the executive period as a

principal Executive Officer with the designation of Chairman of the Board of Directors and Chairman of the Executive Committee or such other title as designated by the Board of Directors, all other Executive Officers shall report to him, upon his oral request, and the scope of his duties hereunder shall consist in rendering such services and performing such functions of a chief executive nature for Unifi as are necessary or customary, subject only to the general direction, approval and control of the Board of Directors of Unifi.

Mr. Mebane agrees to exert and devote substantially all of his time and attention to the promotion of the business and interests of Unifi. The foregoing shall not be construed, however, to preventing Mr. Mebane from investing his assets in such businesses as he desires, or rendering limited services to such businesses, or serving on the Board of Directors of companies in which he has made an investment. Provided, however, if the company of which Mr. Mebane is asked to be a director is in competition with Unifi, it must be publicly owned, and Mr. Mebane's interest therein must be solely that of a shareholder owning not more than three percent (3%) of the outstanding shares or Mr. Mebane receives prior written approval from Unifi's Board of Directors to serve as a director for said company.

Unifi and Mr. Mebane recognize that Mr. Mebane will be required to travel in order to perform the services to be rendered hereunto, but Unifi agrees that the extent of such travelling necessary for the performance of Mr. Mebane's services hereunder shall be within the reasonable discretion, exercised in good faith, of Mr. Mebane. In any event, Mr. Mebane shall not be required to change his resident from the Greensboro, Yadkinville, Mocksville, North Carolina area in order to render the services to be performed hereunder or to perform services inconsistent with the type of services presently being performed by Mr. Mebane.

Section 3. Work Situs and Working Facilities. Mr. Mebane shall be

furnished at all times during his executive employment with working facilities, including, without limitation, a private office; a private secretary of his own selection; an adequate staff in Greensboro, North Carolina or such other location as his duties may require to assist him in the performance of his duties hereunder; and transportation, including use of company air craft, commensurately with those being furnished to him on the date of the execution of this Agreement.

Section 4. Vacations. Mr. Mebane during the executive period shall be

entitled each year to a minimum vacation of four weeks plus such additional time as may be approved by the Board of Directors, during which his Base Compensation shall continue to be paid to him. Mr. Mebane shall take his vacation at such time or times as he shall determine.

Section 5. Reimbursement of Expenses. Mr. Mebane during the executive

period shall be entitled to reimbursement for all expenses reasonably incurred by him in connection with the performance of his duties hereunder, including, without limitation, expenses incurred in travelling and entertaining reasonably related to the business or interests of Unifi. Such reimbursement shall be made within a reasonable time after receipt of Mr. Mebane's expense statement.

Section 6. Disability and Death.

(a) If, during the executive period, Mr. Mebane becomes disabled or incapacitated for a period of twelve (12) consecutive months to the extent he is unable to perform his duties hereunder ("Permanently Disabled"), Unifi shall have the right at any time thereafter, so long as Mr. Mebane is then still Permanently Disabled, to terminate his executive employment. If Unifi elects to terminate his executive employment it shall continue to pay to Mr. Mebane through the 30/th/ day of June 2000 an amount equaled to fifty percent (50%) of the Base Compensation he was receiving at the time of said termination and in the manner as provided in Section 1 of this Part II. In the event of Mr. Mebane's death after such termination of his executive employment for disability, Unifi shall pay through the 30/th/ day of June 2000 to the person and in the manner set forth in paragraph (c) of this Section 6, an amount per annum equal to the amount of the Base Compensation he was receiving during his disability. The payments herein provided for shall be made in installments as set forth in Section 1 of this Part II. If, and so long as Unifi's Board of Directors does not elect to terminate Mr. Mebane's executive employment as a result of his Permanent Disability, this Agreement shall continue in full force and effect until the end of the executive period.

(b) If Mr. Mebane dies during the executive period of this Agreement other than as provided in paragraph (a) of this Section 6, this Agreement shall terminate, except that Unifi shall pay, through the 30/th/ day of June 2000, to the persons and in the manner set forth in paragraph (c) of this Section 6, an amount per annum equal to fifty percent (50%) of the Base Compensation Mr. Mebane was receiving on the date of his death. The payments herein provided for shall be made in installments as provided for in Section 1 of this Part II.

(c) With respect to any payments to be made, pursuant to paragraphs (a) or (b) of this Section 6, to persons other than Mr. Mebane, such payments shall be made as designated by Mr. Mebane in his Last Will and Testament, or if Mr. Mebane dies intestate then the payment shall be made to Mr. Mebane's wife, Mrs. Marianne Vaughn Cheek Mebane, and if she be deceased to Mr. Mebane's living children and the living lineal descendants of any deceased child of Mr. Mebane, per stirpes. The payments provided for herein shall be made in installments as set forth in Section 1 of this Part II.

Part III. CONSULTATIVE CAPACITY.

Section 1. Compensation. The annual compensation to be paid by Unifi to

Mr. Mebane during his engagement as a consultant as provided in Section 2 of Part I of this agreement shall be an amount equal to one-fourth (1/4) of the Base Compensation being paid

to Mr. Mebane during the last year of his executive employment payable in installments and in the same frequency as executive officers are paid.

Section 2. Duties. During the term of his engagement as a consultant, Mr.

Mebane shall perform all consulting and advisory services as Unifi's Board of Directors may reasonably request in order that Unifi may continue to benefit from his experience, knowledge, reputation and contacts in the industry. Mr. Mebane shall be available to advise and consult with Unifi's Officers and Directors at all reasonable times by phone, mail, or in person, however, Mr. Mebane's failure to render such service due to reasonable causes shall not effect his right to receive the compensation provided for in Section 1 of this Part III.

During the consultant period Mr. Mebane shall not engage or render services to any other business that is in competition with Unifi other than to serve on the Board of Directors of other corporations as authorized under Section 2 of Part II of this agreement, or give out any confidential information as more particularly defined in Section 4 of Part IV of this agreement.

Section. 3. Reimbursement of Expenses. Mr. Mebane while acting as a

consultant shall be entitled to be reimbursed for all expenses reasonably
incurred by him in travelling, entertaining and other associated expenses
necessary to perform his duties and/or requested by Unifi's Board of Directors.
Such reimbursements shall be made within a reasonable time after receipt of Mr.
Mebane's expense statement.

Part IV. OTHER PROVISIONS.

Section 1. Termination. This Agreement shall terminate and Unifi shall

have no further obligations or responsibilities under this agreement, except as
provided in this Section, upon the occurrence of any of the following events:

(a) The death of Mr. Mebane during his executive employment or engagement
as a consultant, except for the payments due under the provisions of Section 5
and Section 6(b) of Part II and under Section 3 of Part III respectively of this
agreement;

(b) If during his executive employment, Mr. Mebane becomes permanently
disabled and Unifi elects to terminate his employment, except for the payment due
under provisions of Section 5 and Section 6(a) of Part II of this agreement.

(c) Mr. Mebane becomes permanently disabled during the consultant period
except for payments which may due under provisions of Section 3 of Part III of
this agreement.

(d) For cause, as hereinafter defined upon sixty days prior written notice
to Mr. Mebane. The term "cause" for purposes of this agreement shall mean only
failure to carry out his duties, whether during the executive period or
consultant period, gross misconduct or dishonesty.

Section 2. Directors Compensation. In addition to all other compensation

and reimbursement provided for in this agreement when Mr. Mebane during his
executive employment serves as a Director of Unifi he is entitled to receive a
Directors fee for such services to the same extent as other Executive Officers
who are acting as Directors of Unifi; and when he serves as a Director during
the consultant period, he is entitled to receive a Directors fee for such
services to the same extent as outside directors of Unifi.

Section 3. Fringe Benefits. This Agreement is not intended to and shall

not be deemed in lieu of any rights, benefits, and privileges to which Mr.
Mebane may be entitled as

an employee of Unifi under any retirement, profit sharing, insurance, hospital
or other plans which may now be in effect or which may hereafter be adopted; it
being understood that Mr. Mebane shall have the same rights and privileges to
participate in such plans and benefits provided for other Executive Officers and
key employees of Unifi during the period of his executive employment.

Section 4. Restrictions.

(a) Definitions. As used in this Agreement.

- (i) "Competitor" shall mean any company engaged in or about to be

engaged in the business of developing, producing or distributing
a product or service similar to any product or service produced
or performed or about to be produced or performed by Unifi.
- (ii) Confidential Information" shall mean all information about Unifi

or relating to any of its products or any phase of its operations
including, without limitation, trade secrets, customer lists and

Inventions, not generally known to any of its Competitors which Mr. Mebane knew or acquired knowledge of during the term of his employment.

(b) Disclosure of Information. Mr. Mebane shall not disclose or make

available to any person or other entity any confidential Information or any know-how or experience relating to Unifi's business without authorization of Unifi's Board of Directors. Upon termination of this agreement Mr. Mebane if requested by Unifi's Board of Directors shall leave with Unifi all documents in his possession which contain Confidential Information.

(c) Injunctive Relief. It is agreed that Mr. Mebane's services hereunder

are special and unique giving them peculiar value, the loss of which cannot be reasonably or adequately compensated for by damages, and in the event of Mr. Mebane's breach of this Agreement, Unifi shall be entitled to equitable relief by way in injunction or otherwise.

Section 5. Notices. Any notice required or permitted to be given under

this Agreement shall be sufficient, if in writing and if sent by registered or certified mail, postage prepaid, or telecopier to his residence in the case of Mr. Mebane or to its principal office in the case of Unifi.

Section 6. Assignment. The rights and obligations of Unifi under this

Agreement shall inure to the benefit of and be binding upon its successors and assigns; provided, however, that this Agreement is not assignable by Unifi except as part of a merger, consolidation or sale of all or substantially all of Unifi's assets as a going business to any other corporation or business organization. Unifi agrees that it will not merge into, consolidate with, or sell all or substantially all of its assets to any other corporation or business organization unless such successor or purchaser specifically agrees to assume and be bound by all of the terms and conditions of this Agreement.

This Agreement may not be assigned or otherwise transferred voluntarily or involuntarily by Mr. Mebane.

Section 7. Applicable Law. This Agreement shall be interpreted and

construed under the laws of North Carolina.

Section 8. Entire Agreement. This instrument contains the entire agreement

of the parties. It may not be changed or altered, except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands and seals as of the day and year first above written.

UNIFI, INC.

BY: KENNETH G. LANGONE

Kenneth G. Langone
Chairman of the Compensation Committee

Attest:

CLIFFORD FRAZIER, JR.

Clifford Frazier, Jr.
Secretary

G. ALLEN MEBANE

----- (SEAL)

G. Allen Mebane

Witness:

DONALD F. ORR

Execution Copy

MASTER AGREEMENT
POY MANUFACTURING ALLIANCE

Between

Unifi, Inc.

and

E. I. du Pont de Nemours and Company

June 1, 2000

MASTER AGREEMENT - POY MANUFACTURING ALLIANCE

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- Schedule 1 - Amoco Formula
- Schedule 2 - Asset Transfer Agreement - Agreed Form
- Schedule 3 - [reserved]
- Schedule 4 - Unifi Base Cash Fixed Costs; Unifi Base Variable Costs
- Schedule 5 - DuPont Base Cash Fixed Costs; DuPont Base Variable Costs
- Schedule 6 - Definition of Greater Europe
- Schedule 7 - Kinston Ground Lease - Agreed Form
- Schedule 8 - Kinston Site Services Agreement - Agreed Form
- Schedule 9 - POY Technology, Patent and Trademark Agreement - Agreed Form
- Schedule 10 - Transition Services Agreement - Agreed Form
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- Schedule 13 - Material Supply Agreement - TPA - Agreed Form
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MASTER AGREEMENT - POY MANUFACTURING ALLIANCE

THIS MASTER AGREEMENT, (hereinafter "Agreement") effective as of June 1, 2000 by and between E. I. du Pont de Nemours and Company, a corporation organized and existing under the laws of the State of Delaware, USA (hereinafter "DuPont"); and Unifi, Inc., a corporation organized and existing under the laws of the State of New York, USA (hereinafter "Unifi").

BACKGROUND

- A. DuPont produces, among other products, polyester textile filament products at its Cape Fear site near Wilmington, North Carolina, USA. and at its Kinston site near Kinston, North Carolina, USA;
- B. Unifi produces, among other products, polyester textile filament and textured filament products at its Yadkinville site near Yadkinville, North Carolina, USA;

C. This Agreement sets forth the mutual agreements of DuPont and Unifi to form an alliance to manufacture partially oriented polyester yarn at the Cape Fear facility, the Kinston facility and the Yadkinville facility.

NOW, THEREFORE, in consideration of the premises and covenants herein contained, the Parties agree as follows:

ARTICLE 1: DEFINITIONS

"Affiliate" means with respect to any Party any entity of which fifty percent (50%) or more of the total voting securities or other ownership interest giving the right to vote in that entity is directly or indirectly owned or controlled by such Party, or which entity, directly or indirectly owns or controls, or is under common ownership or control with such Party. For the purpose of this definition "control" shall mean the power to direct or cause the direction of the management and policies of an entity whether through the ownership of voting securities, by contract or otherwise and "controlled" shall be construed accordingly.

"Agreed Form" means, in relation to any document, the form of that document (unless otherwise stated in this Agreement) which has been initialed for the purpose of identifying such document as an Agreed Form by or on behalf of the Parties to this Agreement. Documents which are in Agreed Form contain substantially all of the substantive provisions relating to the subject matter of the document and such provisions have been agreed to, in principle, by the Parties. Documents in Agreed Form may be modified as a result of (i) agreement of the Parties, (ii) issues arising during due diligence, or (iii) compliance with requirements of all applicable law; and the schedules

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and exhibits of such documents must be finalized and agreed to by the Parties by the Closing Date.

"Americas" means North America, Caribbean countries, Central America and South America.

"Amoco Formula" means the price formula for contract sales of TPA attached as part of Schedule 1, or in the event the Amoco Formula is no longer used as the industry-wide standard for TPA price, then such other comparable price formula.

"Ancillary Agreements" means the Technology Cross-License Agreement, the Financial Models Agreement and the Supplemental Alliance Agreement, each of which are effective on the Effective Date.

"Asset Transfer Agreement" means the contract for the sale and transfer of the assets of the partially oriented polyester yarn business in Agreed Form between DuPont and Unifi, attached hereto as Schedule 2.

"Business" means the manufacture, marketing, distribution and sale of the Products, as more fully described in the Asset Transfer Agreement.

"Business Assets" of a Party means the Unifi Business Assets or the DuPont Business Assets, as the context may require.

"Business Premises" means, in the case of DuPont, the Kinston Facility, the Cape Fear Facility and, in the case of Unifi, the Yadkinville Facility.

"Cape Fear Facility" means DuPont's POY manufacturing facility located at the DuPont Cape Fear site near Wilmington, NC.

"Cash Fixed Manufacturing Costs" means those direct plant period costs listed in Schedules 4 and 5 attached hereto.

"Closing" means the closing for the sale of DuPont's Business and DuPont's Business Assets from DuPont to Unifi.

"Closing Date" means completion of signing of the Asset Transfer Agreement and other relevant Implementation Agreements and completion of the relevant transactions with regard to the sale of the DuPont Business from DuPont to Unifi.

"DTY" means draw textured yarn.

"DuPont Base Cash Fixed Costs" means the Cash Fixed Manufacturing Costs at the Kinston Facility and the Cape Fear Facility (based on the annualized cash manufacturing fixed costs at the Kinston Facility and the Cape Fear Facility during the first quarter of

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2000) indexed quarterly based on actual changes in local labor costs. A summary of the DuPont Base Cash Fixed Costs and an example of the method for indexing such costs are attached hereto as Schedule 5. The Parties acknowledge that the

DuPont Base Cash Fixed Costs have been adjusted to reflect the full impact of the costs incurred for implementation of the Autopack system and cost savings that will be derived from the Autopack systems that have been installed at the Cape Fear Facility and the Kinston Facility.

"DuPont Base Variable Costs" means the average unit Variable Cash Cost by product to manufacture POY at DuPont's Cape Fear Facility and Kinston Facility during 1stQ 2000 indexed quarterly to (a) current TPA price (based on the Amoco Formula), and (b) MEG price (based on DuPont's acquisition cost), times the sum of the actual Unifi DuPont-Sourced Volume and the actual DuPont Merchant Market Sales. For purposes of this Agreement, the revenue derived from the sale of Fiberstock to third parties shall be treated as a credit against variable cost. A summary of the DuPont Base Variable Costs by product and an example of the method for indexing such costs are attached hereto as Schedule 5.

"DuPont Business" means the Business conducted by DuPont and its Affiliates at the Kinston Facility.

"DuPont Business Assets" means DuPont's assets related to the Business set forth in the Agreed Form of Asset Transfer Agreement attached hereto.

"DuPont Merchant Market Sales" means the first 250 million pounds per year (or any portion thereof as the context requires) of first grade POY which DuPont's POY Business sells to parties (including internal sales to other DuPont businesses) other than Unifi, reduced by fifty percent (50%) of the Shortfall of Capacity.

"DuPont Polyester Technologies" means the global polyester research and development organization of DuPont currently known by such name.

"Effective Date" means June 1, 2000.

"Extraordinary Costs" means out-of-pocket costs incurred by the Parties in connection with operating the Facilities and related to: (i) costs to repair damage to the Facilities arising from fire, flood, hurricane, tornado or other natural disasters; (ii) non-recurring payments to third parties for liability, claims (including product defect claims), damages, settlements or judgments (irrespective of whether caused by negligence, willful misconduct or gross negligence); (iii) fines or penalties paid to government authorities; (iv) costs for clean-up, investigation, remediation of any past, present or future environmental spills, discharges, releases or leaks; and (v) any other costs decided by the Parties or the Policy Board.

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"Facilities" means the Cape Fear Facility, the Kinston Facility and the Yadkinville Facility.

"Fiberstock" means POY sold by the Parties as non-first grade POY.

"Financial Models Agreement" means the financial models agreement - POY manufacturing alliance between the Parties and effective on the Effective Date.

"Greater Europe" has the meaning set forth in Schedule 6.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, including any regulations promulgated pursuant thereto.

"Implementation Agreements" means such agreements, leases, assignments, bills of sale, endorsements, notices, consents, assurances and such other instruments of conveyance and transfer as counsel for each Party shall reasonably request in order to vest the DuPont Business in Unifi. Such instruments shall be in a form to be agreed by the Parties.

"Inventory" means all finished goods held for sale in the Business of such Party.

"Kinston Facility" means DuPont's POY manufacturing facility located at the DuPont Kinston site in Kinston, NC.

"Kinston Ground Lease" means the lease or leases of land at the Kinston Facility in Agreed Form, attached hereto as Schedule 7.

"Kinston Site Services Agreement" means the site services agreement at the Kinston Site between Unifi and DuPont in Agreed Form, attached hereto as Schedule 8.

"Material" or "Material Adverse Affect" means having a potential economic impact on the pre-tax earnings of the Business of more than \$1 million per annum.

"MEG" means mono-ethylene glycol.

"Ordinary Course of Business" or "Ordinary Course" means the ordinary course of the Business and consistent with the Party's past practice.

"Parties" shall mean DuPont and Unifi.

"Person" means any individual, partnership (whether general or limited), limited liability company, corporation, trust, estate, association, nominee or other entity.

"Policy Board" means the governance board of the Alliance comprising two (2) senior members of each Party, as more fully set forth in Article 7.2.

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"POY Patent, Technology and Trademark License Agreement" means the POY Patent, Technology and Trademark License Agreement between DuPont and Unifi in Agreed Form attached hereto as Schedule 9.

"Pre-Closing" means any preparatory execution of the Closing which will be done by agreement of the Parties before the Closing Date.

"Product" or "POY" means partially oriented polyester yarn, including highly oriented yarn (HOY), Softec partially oriented yarn and the specialty feed yarn for the Coolmax family of products. The term "Products" does not include, by way of example and not limitation: the polyester filament textile family of

products that are used and sold under the Coolmax trademark or the Thermolite trademark, 3GT polyester products, polyester textured textile fiber, and polyester chip for the manufacture of textile fibers, polyester intermediates, polyester films, polyester staple fiber, polyester or nylon industrial fibers, polyester engineering polymers, polyester packaging or specialty resins (including specialty resins manufactured by DuPont).

"Shared Revenue" means the revenue derived from the sale collectively of the Unifi Other-Sourced Volume (based on the price set forth in Article 4.2(b)) and any sales to the merchant market in excess of the DuPont Merchant Market Sales (based on the lowest realized price of the DuPont Merchant Market Sales).

"Shortfall of Capacity" means 630 Million pounds per year minus the actual amount of the Parties' combined U.S. capacity for POY production (but only after shutdown of the Cape Fear Facility).

"Supervisory Board" means the governance board comprising two (2) senior members of each Party, as more fully described in Article 7.1.

"Supplemental Alliance Agreement" means the supplemental alliance agreement between the Parties and effective on the Effective Date.

"Supply Agreement for POY" means the supply agreement for partially oriented polyester yarn between DuPont, as supplier, and Unifi, as purchaser.

"Technology Cross-License Agreement" means the technical information and patent cross-license between Unifi and DuPont.

"TPA" means terephthalic acid and may also include or be referred to from time to time as TPA or PGTPA.

"Transition Period" means the period from the Effective Date of the Alliance to DuPont's shut down of the Cape Fear Facility.

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"Transition Services Agreement" means the transition services agreement between DuPont and Unifi in Agreed Form, attached hereto as Schedule 10.

"Uncontrollable Event" means an event or condition beyond the control of any of the Parties, including, but not limited to an act of God, fire, storm, flood, earthquake, hurricane, governmental regulation or direction, acts of the public enemy, war, rebellion, insurrection, riot, invasion, strike or lockout.

"Unifi Business" means the Business conducted by Unifi and its Affiliates at the Yadkinville Facility.

"Unifi Business Assets" means Unifi's assets related to the Business.

"Unifi Base Cash Fixed Costs" means the Cash Fixed Manufacturing Costs at the Yadkinville Facility (based on the annualized cash manufacturing fixed costs at the Yadkinville Facility during the first quarter of 2000) indexed quarterly based on actual changes in local labor costs. A summary of the Unifi Base Cash Fixed Costs and an example of the method for indexing such costs are attached hereto as Schedule 4.

"Unifi's Base Variable Costs" means the average unit Variable Cash Cost, based on a representative product mix in the 1st/ quarter 2000 to manufacture POY at Unifi's Yadkinville Facility during 1stQ 2000 indexed quarterly to (a) Unifi's polyester chip price escalator times the actual Unifi Yadkinville Volume. For purposes of this Agreement, (a) the revenue derived from the sale of Fiberstock to third parties shall be treated as a credit against variable cost. A summary of the Unifi Base Variable Costs, the representative product mix and an example of the method for indexing such costs are attached hereto as Schedule 4.

"Unifi DuPont-Sourced Volume" means the volume and mix of first grade POY purchased by Unifi from DuPont in 1999 in the approximate amount of 200 million pounds, or any portion thereof as the context requires.

"Unifi Other-Sourced Volume" means new volume of POY purchased by Unifi from DuPont to replace amounts which Unifi currently purchases from other producers or any portion thereof as the context requires.

"Unifi Yadkinville Volume" means the volume (approximately 180MM pounds per year of POY) and mix of products which Unifi presently manufactures at its Yadkinville Facility or any portion thereof as the context requires, reduced by fifty percent (50%) of the Shortfall of Capacity.

"Variable Cash Cost" means the variable costs listed in Schedule 4 and 5 attached

hereto.

"Western Europe" means the European Economic Area.

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"Yadkinville Facility" means Unifi's POY manufacturing facility located at Unifi's Yadkinville site in Yadkinville, NC.

ARTICLE 2: INDEPENDENT MARKETING AND SALES

2.1 DuPont's Independent Marketing and Sales. Subject to the provisions of

this Agreement, DuPont shall continue to independently use, market, sell and distribute and shall have sole control over all use and sales of DuPont Product (including Unifi DuPont-Sourced Volume, Unifi Other-Sourced Volume, DuPont Merchant Market Sales and any sales to the merchant market in excess thereof, as well as overall sales of Fiberstock to third parties). The Parties shall not integrate any of their marketing, sales and technical service functions.

2.2 Unifi's Independent Use of POY. Unifi shall continue to independently use

the Unifi Yadkinville Volume. For avoidance of doubt, all profits on Unifi's sales of DTY manufactured by Unifi shall be for the account of Unifi (except for value added from the sale of upgraded Fiberstock which shall be shared as provided in Article 5 herein).

2.3 No Agency. It is expressly understood and agreed that the Parties are

acting independently and that this Agreement does not constitute either Party as an employee, agent or other representative of the other Party for any purpose whatsoever. Neither Party has the right or authority to enter into any contract, warranty, guarantee or other undertaking in the name or for the account of the other Party, or to assume or create any obligation or liability of any kind, express or implied, on behalf of the other Party, or to bind the other Party in any manner whatsoever, or to hold itself out as having any right, power or authority to create any such obligation or liability on behalf of the other or to bind the other Party in any manner whatsoever (except as to any actions taken by either Party at the express written request and direction of the other Party).

2.4 Integration of Other POY Manufacturing.

2.4.1 Principle. During the term of this Agreement, the Parties and their

Affiliates will carry out their activities in the Americas related to the manufacture of POY exclusively through the Alliance, subject to the following.

2.4.2 Unifi Acquisitions. During the term of this Agreement if Unifi

desires to:

- (a) acquire or build a facility for the manufacture or sale of POY, or
- (b) acquire, directly or indirectly, an interest in a business which manufactures or sells POY within the Americas, (together referred to as the "Acquired Business")

then Unifi shall obtain DuPont's prior written consent, which consent shall not be unreasonably withheld, and further provided that such transaction shall not adversely impact the value created by the Alliance. In the event that Unifi builds or acquires an Acquired Business, then the Policy Board shall determine whether or not the Acquired Business shall be included in this Alliance, in which case this Agreement and the Ancillary Agreements shall be amended to integrate the Acquired Business. If the Policy Board decides that the Acquired Business shall not be included in this Alliance, then Unifi shall operate the Acquired Business so as to not adversely impact the value created by the Alliance.

2.4.3 DuPont Acquisitions. Unless otherwise agreed by Unifi, during the

term of this Agreement DuPont shall not build or acquire, directly or indirectly, a controlling interest in a business which is engaged in the manufacture or sale of POY in the Americas, unless such manufacture or sale of POY is incidental to the main purpose of the business (i.e. constituting less than twenty-five percent (25%) of the total revenue of such business). If DuPont does acquire a controlling interest in a business with incidental manufacturing or sale of POY, the Parties shall confer in order to determine whether such business shall (a) be included in this Alliance, in which case this Agreement and the Ancillary Agreements shall be amended to integrate such incidental business, (b) sold to Unifi (and the Parties shall decide whether it shall be included in this Alliance, in which case this Agreement and the Ancillary Agreements shall be amended to integrate such incidental business), or (c) sold to a third party.

ARTICLE 3: SUPPLY OF PRODUCT - SHORTFALL OF CAPACITY

3.1 Shortfall of Capacity. If for any reason there is a Shortfall of Capacity,

then the Parties shall equally reduce the volume of POY that they draw from the Facilities. The Parties intend that the reduced production arising from such lost capacity shall be from lower value Products.

ARTICLE 4: SHARING OF MANUFACTURING COSTS

Each Party will pay the cost of operation for its own Facilities. Each month during the term of the Alliance, the Parties shall reconcile certain costs of manufacture, as follows:

4.1 Cash Fixed Manufacturing Costs.

- (a) DuPont Manufacturing Costs. DuPont will bear the DuPont Base Cash Fixed Costs.

(b) Unifi Manufacturing Costs. Unifi will bear the Unifi Base Cash Fixed

Costs.

(c) Calculation of Cash Fixed Manufacturing Costs. Cash fixed

manufacturing costs shall be calculated as per Schedules 4 and 5 and
consistently applied, provided, however:
(i) at the Kinston Facility and the Yadkinville Facility, the
Parties shall not benefit from the addition of new non-POY
business operations and shall not be penalized by the
departure of non-POY business operations from such
Facilities.
(ii) at the Cape Fear Facility, the Parties shall not benefit
from the addition of new non-POY business operations and
shall not be penalized by the departure of non-POY business
operations; provided, however, that after the shutdown of
the Cape Fear Facility (where the dismantlement and
rearrangement costs for the POY Facility are shared by the
Parties) the Parties shall benefit from the reallocation in
non-reducible cash fixed manufacturing costs previously
allocated to the POY cash fixed manufacturing costs arising
from the addition of new non-POY business operations.

(d) Sharing of Cash Fixed Manufacturing Costs. Any difference between:

(i) the sum of DuPont's actual cash fixed manufacturing costs
and Unifi's actual cash fixed manufacturing costs, and
(ii) the sum of the DuPont Base Cash Fixed Costs and the Unifi
Base Cash Fixed Costs
shall be shared equally by the Parties (subject to the proviso in
paragraph (c) above).

4.2 Variable Costs. -----

(a) DuPont Variable Costs. DuPont will bear the DuPont Base Variable

Costs.

(b) Unifi Variable Costs. Unifi will bear the Unifi Base Variable Costs.

(c) Calculation of Variable Costs. Variable cash costs shall be calculated

as per Schedules 4 and 5 consistently applied.

(d) Sharing of Variable Costs. Any difference between:

(i) the sum of DuPont's actual variable cash costs and Unifi's actual
variable cash costs, and
(ii) the sum of the DuPont Base Variable Costs and the Unifi Base
Variable Costs,

shall be shared equally by the Parties.

4.3 Sharing of Costs and Expenditures to Optimize Assets. -----

4.3.1 Equal Sharing of Certain Cash Costs. The Parties shall share

equally all costs and expenditures related to the ongoing
implementation of this Agreement including but not limited to all
costs and expenditures necessary to achieve the asset optimization
plan, including costs and expenditures incurred to reduce the total

manufacturing costs to both Parties. Such costs and expenditures, by way of example, shall include all cash costs for DuPont's shutting down or scaling back production at the Cape Fear Facility (including employee severance costs and dismantlement and rearrangement of the POY Facility), one-time costs for transferring production from one Facility to another Facility to achieve manufacturing cost savings, capital expenditures at any of the Facilities if the primary purpose of such capital expenditures would be to expand production, manufacture the Unifi Other-Sourced Volume, enrich the Product mix, or reduce manufacturing costs, etc. However, such expenditures shall not include capital expenditures for maintenance or creep investment even if such expenditures produced ancillary manufacturing cost savings. Such maintenance or creep investment is solely for the account of the Party owning the Facility in question.

4.3.2 Treatment of Certain Capital Expenditures. Capital expenditures

(estimated to total \$5 - 10 million) for new assets for shared cost savings or expansion will be shared equally by both Parties, and the Parties will jointly own such assets and share equally in the depreciation thereon, but only if such assets are separable from the existing equipment of the Parties. If the new equipment is such an integral part of one Party's existing equipment that it could not be later separated from the existing equipment, then the Party owning the existing equipment shall make all of the new capital expenditure and the other Party shall compensate the investing Party over time in a way that puts both Parties in the same cash flow position as though they had made the investment jointly, including compensation to the investing Party for lost time value of money, as shown by way of example in Schedule 11 attached hereto. Any amounts owing by one

Party to the other with respect to such inseparable expenditures at the time of the exercise of the put or call options (described in Article 14 below) shall be taken into consideration in determining the purchase price for the Business.

4.4 Extraordinary Costs. The Parties agree that Extraordinary Costs shall be

paid solely by the Party incurring those costs and such Extraordinary Costs shall not be considered in connection with determining sharing of costs or revenues.

4.5 Depreciation. Each Party shall bear all depreciation on its own equipment

and assets in operation on the Effective Date and on all maintenance or creep investment for which it is solely responsible pursuant to Section 4.3.1 above. All depreciation on capital expenditures which are to be split between the Parties shall be shared equally pursuant to Section 4.3.

4.6 Mix Impact on Variable Cost. To the extent that the mix of Products

comprising the DuPont Merchant Market Sales and the Unifi DuPont-Sourced Volume changes materially from the base period (with respect to the DuPont Base Variable Costs), the Parties shall equitably adjust the DuPont Base Variable Costs arising from such changes.

4.7 Warehousing Costs. After the Transition Period, the Parties shall

establish a baseline for their respective warehousing costs for Products during the first full calendar quarter after such Transition Period. Thereafter, any changes in the Parties' total warehousing costs shall be equally shared by the Parties.

4.8 Working Capital, Freight, Etc. Consistent with the overall intent of this

Agreement, neither Party shall be advantaged or disadvantaged by changes in working capital (inventory, accounts receivable, and accounts payable), freight, or other cash or expense items that may change solely as a result of the formation or operation of the Alliance. Further, the Parties will share equally in changes (increases or decreases) in these items. Procedures for sharing such changes will be determined at a later date.

ARTICLE 5: SHARING OF REVENUES

5.1 Sharing of Certain Revenues. The Parties shall share certain revenues

arising from the Businesses, as follows:

5.1.1 All sales and revenues with respect to the Unifi DuPont-Sourced Volume and DuPont Merchant Market Sales shall be solely for the account of DuPont.

5.1.2 The Shared Revenues shall be shared equally by the Parties.

5.2 Treatment of Fiberstock. The Parties shall explore opportunities to

add value to the Fiberstock produced by DuPont. The value added by the Parties from further processing (excluding "Clover" processing) of Fiberstock shall be shared equally.

ARTICLE 6: RECONCILIATIONS

6.1 The Parties will reconcile monthly in arrears on the sharing of costs and revenues as set forth herein. Cash imbalances will be settled quarterly on a year-to-date basis. A final settlement of all elements will be made annually. For this purpose (a) quarterly is each three (3) months beginning June 1, 2000; and (b) annually is the twelve (12) month period from June 1 to May 31. Cash imbalances will be paid as soon as possible, but not later than the 25th of the month after the actual month covered by the reconciliation. For example, quarterly cash imbalances will be paid not later than the 25th of September (for 1st quarter actual), December (for 6 months actual), March (9 month actual), and June (for the actual contract year).

6.2 Any reconciliation shall specifically exclude access to any information regarding the Parties' marketing, sales and distribution of Products.

ARTICLE 7: MANAGEMENT/GOVERNANCE

7.1 Supervisory Board - General. A Supervisory Board consisting of two (2)

member chosen by DuPont and two (2) member chosen by Unifi shall be formed. The Supervisory Board shall be responsible for the strategic direction of the Alliance and resolution of disputes not resolved by the Policy Board. Supervisory Board decisions shall be made only by unanimous vote (except where expressly agreed otherwise by the Parties in writing). The members of the Supervisory Board shall not receive remuneration for their services.

The Supervisory Board shall meet upon the request of either Party, with written notice to each of the members. The meeting will be held in such locations as the Parties may mutually agree. Decisions can also be made in writing by the Supervisory Board, without a meeting being held, provided that both members shall confirm their approval of such decisions in writing. Either Party may invite any employee of the Parties to attend a meeting of the Supervisory Board, provided, however, that it notifies the other Party of the identity of the guest and the purpose for the

invitation.

7.2 Policy Board - General.

7.2.1 The Parties shall cause the Alliance to function in a coordinated manner, under the overall direction of a Policy Board made up as provided in this Article 7.

7.2.2 The Parties and the Policy Board shall to the extent practicable, make decisions which maximize the creation of economic value for the Parties

as a whole, rather than deciding in favor of any one Party over the other Party.

7.3 Policy Board Members. On the Effective Date hereof a Policy Board,

consisting of two (2) members chosen by DuPont and two (2) members chosen by Unifi shall be formed. Policy Board decisions shall be made only by unanimous vote (except where expressly agreed otherwise by the Parties in advance in writing). The members of the Policy Board shall not receive remuneration for their services.

7.4 Policy Board Matters. The Policy Board's responsibility is to resolve

disputes and insure fairness between the Parties consistent with the intent of the Alliance. The Policy Board will approve all shared costs and capital expenditures and the asset optimization plans. The Policy Board shall monitor the progress of such asset optimization plans. Additionally, for personnel who are severed in connection with implementation of the asset optimization plans, the Policy Board will proactively seek to find employment with the Parties. The Policy Board shall monitor quarterly the placement of personnel who are severed in connection with implementation of the asset optimization plans. The Policy Board shall decide matters which (i) are material to the economic value of the Parties, or (ii) would materially affect the financial results of the Parties as such financial result relates to the Alliance. Such issues comprise primarily, but are not limited to:

- (a) Annual operating and shared capital investment plans;
- (b) Contractual arrangements relating to the Alliance between the Parties or their Affiliates entered into after the Effective Date; and
- (c) Acquisitions or dispositions of assets (including permanent shutdown of capacity) relating to the Alliance.

In addition, the Policy Board shall periodically review:

- (a) The operation of the Facilities versus historical operating parameters;
- (b) Manufacturing cost performance;
- (c) Future operations plans, forecasts of production and shipments, scheduling and delivery concerns; and
- (d) Capital projects (the expenditure of which is to be shared pursuant to Section 4.3), including the status of current projects, review of upcoming and new projects and allocations of capital projects.

7.5 Meetings. The Policy Board shall meet upon the request of either Party,

with written notice to each of the members, but in no event less frequently than four (4) times per calendar year. The meeting will be held in such locations as the Parties may mutually agree. Valid meetings of the Policy Board require that at least more than half of the members are present in person. Decisions can also be made in writing by the Policy Board, without a meeting being held, provided that all of the members shall confirm their approval of such decisions in writing. Either Party may invite an employee of the Parties to attend a meeting of the Policy Board, provided, however, that it notifies the other Party of the identity of the guest and the purpose for the invitation.

7.6 Management Committees. The Parties shall form the following management

teams to support the objectives of the Alliance:

7.6.1 Asset Optimization. An asset optimization team shall develop the

overall strategy for optimizing the operation and reducing the cost of the Facilities. The asset optimization team shall include business representatives of both Parties.

7.6.2 Supply Chain Management. The Parties shall cooperatively develop

overall production scheduling and a supply chain plan for the Alliance. The supply chain team shall include business representatives of both Parties and representatives from all Facilities. DuPont shall have lead responsibility for the overall production scheduling and supply chain planning of the Alliance. DuPont, following consultation with Unifi, shall resolve all conflicts with respect to production scheduling and supply chain planning, taking into account Unifi's requirements for POY.

7.6.3 Management Process. The Parties or the Policy Board may establish

other management committee(s) to oversee the Alliance and make recommendations to the Policy Board and shall:

- (a) Provide long-term direction to the Alliance in making operational decisions and determining policies to ensure manufacturing optimization.
- (b) Facilitate performance through setting targets for the manufacturing operation and monitoring performance.
- (c) Lead the integration effort to bring both Parties' manufacturing operations that relate to the Businesses together by monitoring transition/integration progress and resolving conflicts.
- (d) Develop principles for operations planning and scheduling processes and coordinate scheduling of Products on production lines with strong focus on lowest cost production, highest quality products and greatest customer satisfaction.

- (e) Develop asset plans (e.g., upgrades, best practice transfer initiatives, new investments, moves or shutdowns) consistent with the purpose of the Alliance.
- (f) Develop critical operating tasks for various elements in the manufacturing organization.

7.7 Further Relationships. During the term of this Alliance, the members of

the Policy Board and the Parties may explore alternate structures for the

Alliance.

ARTICLE 8: FAIRNESS REVIEW

The Policy Board will review continually the fairness of the cost and benefit sharing, and the Policy Board may consider any changes necessary to reflect changes in the Product market or the needs of the Parties.

ARTICLE 9: PERSONNEL AND PLANT OPERATIONS

- 9.1 All personnel of the Businesses shall remain on the rolls of their respective employers. DuPont and Unifi, as the case may be, shall have full function and management of their respective employees.
- 9.2 To the extent that the asset optimization plan results in severance of any personnel (including the personnel at the Cape Fear Facility), both Parties shall use diligent and conscientious efforts in good faith to find opportunities for such severed employees.
- 9.3 The Parties shall be responsible for operation of their respective Facilities, and shall do so in accordance with their respective corporate policies concerning matters such as health, safety, environmental protection and employee relations.
- 9.3.1 Recognizing that operating decisions and practices relating to the Facilities affect cost, quality, and availability of POY for both Parties, the Parties, consistent with their responsibility for operation of the Facilities, shall treat the other Party's interests with respect thereto equally with their interests. It is the intent of both Parties to drive toward continuous improvement in and reduction of the cost of manufacture of POY.
- 9.4 The Parties shall comply with all laws that govern the employment relationship with their respective employees, including but not limited to laws regarding discrimination in employment, workers' compensation, and wage and salary administration. During the term of this Agreement, the Parties shall also fulfill

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their obligations under collective bargaining agreements, if any, applicable to the personnel. The Parties shall independently have the ultimate right and responsibility:

- (i) to direct the hiring terminating and transferring of their personnel;
- (ii) to direct, control, supervise and evaluate the manner and means of the personnel's performance of services; and
- (iii) to determine the amount of compensation and bonus payable to their respective personnel.

ARTICLE 10: TECHNOLOGY AND TRADEMARKS

10.1 License of Existing Technology. On the Effective Date, Unifi shall grant

DuPont a non-exclusive, non-transferable (with no right to sublicense) license with no royalty or other payment for the right to use only at the Cape Fear Facility and the Kinston Facility Unifi's patents and technical know-how in commercial use only at the Yadkinville Facility as more fully described in the Technology Cross-License Agreement. Unifi shall seek to

obtain approval for the sub-license of "MOD-4" technology (from Zimmer); if such approval is not obtained then such technology shall be excluded. On the Effective Date, DuPont shall grant Unifi a non-exclusive, non-transferable (with no right to sublicense) license with no royalty or other payment for the right to use only at the Yadkinville Facility DuPont's patents and technical know how in commercial use only at the Cape Fear Facility and the Kinston Facility as more fully described in the Technology Cross-License Agreement. DuPont's 3GT technology and know-how is excluded.

10.2 License of Other Technology. The Parties can license future technical

developments from the other on a royalty basis, in which case to the extent that the benefit of such license shall be shared equally by the Parties the cost of such royalties shall be shared equally by the Parties. To the extent that the Kinston Facility or the Cape Fear Facility obtain research or development services from DuPont related to asset optimization, cost savings or productivity improvement, the cost for such services shall be shared equally by the Parties. To the extent that the Yadkinville Facility obtains research or development services from Unifi related to asset optimization, cost savings or productivity improvement, the cost for such services shall be shared equally by the Parties. Any shared license fees or costs for research and development services shall be negotiated between the Parties.

10.3 Jointly Developed Process Technology. The Parties shall jointly own any

patents, technical knowledge or other intangible rights of any kind or nature related to the POY manufacturing processes at the Facilities that are developed

during the term of the Alliance by the Parties pursuant to a specific joint development program approved by the Parties. The Parties shall share the costs associated with obtaining and maintaining any patents, trademarks and/or copyrights on such jointly developed technology.

10.4 Rights of the Parties. The Parties acknowledge that, unless otherwise

agreed, no Party shall obtain ownership rights or the right to use intellectual property rights or technical information of the other Party by virtue of its status as a participant in the Alliance. DuPont and Unifi shall license to each other technology in commercial use as of the Effective Date at their respective Facilities for the manufacture of Products at the Facilities, pursuant to the terms of the Technology Cross-License Agreement.

10.5 Product Scale-Up of Newly Developed Products. Unifi grants to DuPont the

right to conduct scale-up of newly developed Products at the Yadkinville Facility. Such scale-up shall be conducted in essentially the same manner as DuPont presently conducts the scale-up of Products at the Kinston Facility or the Cape Fear Facility.

DuPont grants to Unifi the right to conduct scale-up of newly developed Products at the Kinston Facility and the Cape Fear Facility. Such scale-up shall be conducted in essentially the same manner as Unifi presently conducts the scale-up of Products at the Yadkinville Facility.

Costs for any such Product scale-up shall be included in the Parties' Cash Fixed Manufacturing Costs and the Variable Cash Costs. Such costs are currently included in the base period manufacturing costs.

10.6 DACRON(R) Trademark. In order to create and preserve value for the Parties:

(a) Unifi shall be permitted to continue to sell DTY using the DACRON(R)

trademark under existing marketing programs approved by DuPont; (b) DuPont shall consider any additional or new uses of the DACRON(R) trademark by Unifi, which additional or new uses shall be approved in writing in advance by DuPont.

10.7 No Other Rights. Except as expressly provided herein or in the Technology

Cross-License Agreement, the Parties grant no right or license, either
express or implied, under any patent or trademark or to any know-how.

ARTICLE 11: IMPACT OF ACQUISITIONS

11.1 In the event Unifi acquires another DuPont POY customer located in the Americas, then DuPont shall continue to supply at least the same quantity of POY (or lower quantities if such customer's demand for POY is reduced due to changes in market demand) to such acquired company (or directly to Unifi if such acquired company shall

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be merged into Unifi), and such quantity shall continue to be considered as DuPont Merchant Market Sales (assuming that such quantity is within the first 250 million pounds base of DuPont Merchant Market Sales); provided, however that the price for such POY shall be the actual net product price (including freight if paid by the other supplier and excluding freight if paid by Unifi) to such POY customer in effect on the date of acquisition by Unifi, adjusted quarterly for relative changes in Unifi's DTY prices for the corresponding Product segment/application.

11.2 The term "acquires" as used in Section 11.1 shall be construed broadly and shall include without limitation, the acquisition of control of another entity or an entity, directly or indirectly owns or controls, or is under common ownership or control with Unifi. For the purpose of this definition "control" shall mean the power to direct or cause the direction of the management and policies of an entity whether through the ownership of voting securities, by contract or otherwise and "controlled" shall be construed accordingly.

ARTICLE 12: REPORTING, TAX AND AUDITING

12.1 Books and Records. The Parties shall keep full and adequate books and

accounts and other records to allow proper monthly financial reconciliation to be provided to the Parties for the purpose of reconciling the financial results in accordance with the terms of this Agreement. The Parties shall cooperate with each other to set up the necessary accounting and financial reporting procedures in order to minimize the burden and cost of their requirements, while achieving the necessary end result in a satisfactory way. Books and records include books, files, reports, plans, drawings and operating records of every kind used in the POY manufacturing operation. The Parties shall retain such books and records and the Business Data (as defined in Section 12.3) for a period of at least seven (7) years following the date of creation of such information.

12.2 Periodic Reports. The Parties shall furnish the Policy Board with monthly

written reports of financial results and reconciliations in a form acceptable to the Policy Board. Such reports shall include significant actions and events affecting the Alliance including manufacturing costs. The Parties shall prepare such additional reports as the Policy Board shall require from time to time.

12.3 Auditing. The Parties will maintain and provide upon request by the other

Party such accounting records and information required to meet the reporting obligations of each Party in relation to its participation in the Alliance. Each of the Parties at its own expense shall have the right at any time to audit (a) the manufacturing costs of the other Party, (b) changes in Unifi's DTY prices, (c) Shared Revenues (including the costs and benefits mix of such Products), (d) the price of POY previously supplied by third parties to Unifi (and now supplied by

DuPont as the DuPont Other Sourced Volume), (e) information required to be submitted to government authorities, and (f) such other costs as the Parties shall mutually agree ("collectively, the "Business Data"). The timing of any audit shall be reasonably acceptable to the Parties, and the audit shall be conducted in a manner that does not interfere with the normal operations of the Parties. The audit shall be conducted by a mutually acceptable independent accounting firm. Unless otherwise agreed, details of the review and all work papers and related supporting data pertaining to the review shall be held in strict confidence by the accounting firm and will not be shown, divulged or delivered to the other Party or any third party. The Parties agree that, under normal circumstances, an audit on a particular activity should not take place more often than once a year.

12.4 Internal Controls. The Parties shall maintain adequate internal controls.

ARTICLE 13: TERM; TERMINATION -----

13.1 Effective Date. This Agreement shall become effective on the Effective

Date and shall continue in full force and effect until terminated in accordance with this Article 13.

13.2 Termination. This Agreement and the Ancillary Agreements may, subject to

the other provisions of this Article 13, be terminated as follows:

13.2.1 by mutual agreement of the Parties;

13.2.2 by any Non-Bankrupt or Non-Breaching Party (both as defined below) on written notice following entry of final judgment, that is not subject to appeal, by a court of competent jurisdiction ordering the dissolution of a Party pursuant to applicable law;

13.2.3 by a Party (a "Non-Bankrupt Party") on written notice after the filing of bankruptcy proceedings or insolvency proceedings with respect to the other Party (such other Party, the "Bankrupt Party"), which proceedings are not dismissed or discharged within thirty (30) days of such filing; provided, however, that the Non-Bankrupt Party shall have, in addition to the right so to terminate this Agreement, all such other rights and remedies to which it is entitled at law or in equity;

13.2.4 by a Party (the "Non-Breaching Party"), where the other Party or its Affiliate (the "Breaching Party") has committed a substantial breach of any of its obligations under this Agreement or any of the Ancillary Agreements and shall have failed to cure such breach within sixty (60) days after receipt of written notice thereof from the Non-Breaching Party specifying such breach; provided, however, that the Non-Breaching Party

shall, in addition to the right so to terminate this Agreement, have all such other rights and remedies to which it is entitled at law or in equity; and

13.2.5 by a Party where the other Party is unable to perform its obligations hereunder due to an Uncontrollable Event for a period of more than sixty (60) days beyond the date or period otherwise specified for such performance, provided, however, that the termination of this Agreement and the Ancillary Agreements shall be extended for up to ninety (90) days in the event that the non-performing Party is diligently seeking to remedy the non-performance.

13.3 Termination of Ancillary Agreements. If (a) this Agreement is terminated -----
under the provisions of this Article 13 or (b) DuPont's Business is sold to Unifi pursuant to the provisions of Article 14 or (c) Unifi's Business is sold to DuPont pursuant to the provisions of Article 14, then the Technology Cross-License Agreement shall terminate. This Agreement and the Ancillary Agreements shall, notwithstanding the service of written notice and commencement of termination procedures under this Article 13, continue in full force and effect; and the Parties shall continue their performance hereunder and thereunder, until the sale of one Party's Business to the other pursuant to Article 14.

ARTICLE 14: PURCHASE / SALE OPTIONS

14.1 Options to Sell/ Purchase DuPont's Business. Unless otherwise agreed, at -----
the time of termination of this Agreement for any reason or at any time after the end of the fifth (5th) year of the term of this Agreement:

- (a) DuPont shall have the irrevocable right but not the obligation to put to Unifi all (but not less than all) of DuPont's Business and the DuPont Business Assets in accordance with the Asset Transfer Agreement. Unifi shall be obliged to purchase DuPont's Business and Business Assets, subject to the provisions of this Article.
- (b) Unifi shall have the irrevocable right but not the obligation to call all (but not less than all) of DuPont's Business and the DuPont Business Assets in accordance with the Asset Transfer Agreement. DuPont shall be obliged to sell DuPont's Business and Business Assets, subject to the provisions of this Article.

14.2 Manner of Exercise. Such put/call options shall be exercised by written -----
notice ("Notice of Exercise") by one Party to the other, in which case the Parties shall use all reasonable efforts to proceed to Closing as quickly as possible. The Parties shall not be required to make any option payments or pay any other consideration for the right to exercise the put/call.

14.3 Price for DuPont's Business.

- (a) The purchase price for DuPont's Business and Business Assets shall be determined by mutual agreement of the Parties. In the event the Parties cannot mutually agree on the price within thirty (30) days following receipt of the Notice of Exercise or such other time as the Parties may agree, then the Parties shall appoint a single appraiser to determine the value of the business. In the event the Parties cannot decide on a single appraiser within forty-five (45) days following receipt of the Notice of Exercise, then each Party will

nominate an appraiser. Such appraisers shall promptly, but in no event more than ninety (90) days following receipt of the Notice of Exercise, determine the fair market value of DuPont's Business, including the Business Assets. If the lower of the two appraisals is within ten (10%) percent of the higher of the two appraisals, then the price will be the average of the two appraisals. If the two appraisals are not within ten percent (10%), then the two appraisers will nominate a third appraiser who shall promptly determine such fair market value, in which case the price will be the average of the two closest appraisals.

- (b) The appraisals shall value the Business as an on-going concern and shall take into consideration all technical and market factors relating to the Business, the benefit of any shared savings arising from the Alliance, the strategic value of the Business and any technology rights conveyed by DuPont to Unifi, the potential future cash flow and earnings of the Business; and an identified risk of specific business that may reasonably be expected to be lost as a result of the change in control.
- (c) The cost of the appraisal experts selected by the Parties shall be paid by the selecting party and the cost of an appraisal expert jointly selected by the Parties' or by the Parties' appraisal experts shall be borne by the Parties on an equal basis. Each appraiser selected pursuant to the provisions of this Section shall be an independent, qualified firm with prior experience in appraising businesses comparable to POY manufacturing and sale and that is not an interested person with respect to any Party. The determination of fair market value of the Business shall be final and conclusive.

14.4 Maximum/Minimum Price for DuPont's Business. Notwithstanding anything to

the contrary contained herein, in the event DuPont exercises the put or Unifi exercises the call prior to the end of the 6th year of this Alliance, then the maximum price for the DuPont Business and the DuPont Business Assets shall be Six Hundred Million U.S. Dollars (\$600,000,000) and the minimum price for the DuPont Business and the DuPont Business Assets shall be Three Hundred Million

U.S. Dollars (\$300,000,000). For clarity, the Parties agree that the DuPont Business Assets to be valued and acquired by Unifi shall include the inventory of raw materials, work in process, finished goods, stores, supplies and packaging materials as more fully set forth in the Asset Transfer Agreement, but the valuation shall specifically exclude the inventories of finished product which DuPont may acquire from Unifi on or after the Effective Date.

14.5 Remedy - DuPont's Right to Purchase Unifi's Business. If for any reason

(including without limitation breach of this Agreement or any Implementation Agreement, insolvency or bankruptcy or Unifi's inability to obtain financing), Unifi cannot or does not purchase DuPont's Business and the DuPont Business Assets within two hundred seventy (270) days following receipt of the Notice of Exercise, then DuPont shall have the option but not the obligation to purchase Unifi's Business and the Unifi Business Assets by giving written notice of exercise to Unifi. The price for the Unifi's Business and the Unifi Business Assets shall be determined by the same mechanism set forth in Section 14.3 above, and the sale shall be on substantially the same terms as those contained in the Asset Transfer Agreement and the Implementation Agreements. Notwithstanding anything to the contrary contained herein, in the event DuPont purchases Unifi's Business and the Unifi Business Assets as provided in this Section 14.5, then for a period of twelve (12) months following receipt of the Notice of Exercise (defined in Section 14.2), the maximum price shall be One Hundred Seventy-Five Million U.S. Dollars (\$175,000,000) and the minimum price

shall be One Hundred Twenty-Five Million U.S. Dollars (\$125,000,000).

14.6 Conditions Precedent to Closing. The obligations of the Parties to

complete the proposed transactions under this Article are subject to the Conditions Precedent; provided, however, that the Parties may conduct the Pre-Closing necessary for the complete performance of the Closing as quickly as possible without waiting for the fulfillment of the Conditions Precedent. The Pre-Closing shall also be agreed by the Parties.

The Parties shall use reasonable efforts to satisfy the Conditions Precedent as soon as possible after the Notice of Exercise. The Conditions Precedent shall be deemed to have been fulfilled when they have been satisfied in accordance with the terms described in Schedule 12. Each

Party shall advise the other as soon as the Conditions Precedent which relate to that Party have been fulfilled and the Closing Date shall be confirmed or newly determined as the case may be.

Subject to agreement between the Parties on the timing and approach to the antitrust and regulatory authorities, the Parties jointly will be responsible for obtaining all antitrust or regulatory approvals of all the governmental authorities of relevant countries necessary to complete the proposed transactions. The Parties will use all reasonable efforts to obtain such approvals as promptly as possible and, in this regard, provide all information requested, shall assist and cooperate

with one another to make the necessary filings and take other steps to secure the non-objection of the antitrust and regulatory authorities.

14.7 Non-Competition. It is agreed by the Parties and shall be incorporated

into the Asset Transfer Agreement (as more fully provided therein) that following Closing for the sale of DuPont's Business to Unifi, Unifi and its Affiliates will not, directly or indirectly, engage in the sale in or transfer to Greater Europe of Products manufactured at the Facilities; provided, however, that Unifi shall have the right to transfer specialty POY manufactured at the Yadkinville Facility to Unifi's Affiliates located in Greater Europe for subsequent processing by such Affiliates (and not for resale) if such Affiliates cannot acquire specialty POY of like quality at competitive prices from DuPont SA or other European POY suppliers.

In the unlikely event that Unifi is unable to purchase commodity POY for consumption by its Affiliates in Western Europe from DuPontSA or other suppliers at prices that are competitive for POY in Western Europe, then Unifi shall have the right only for so long as this condition exists to transfer commodity POY manufactured at the Yadkinville Plant to its Affiliates in Western Europe for subsequent processing by such Affiliates (and not for resale).

It is agreed by the Parties and shall be incorporated into the Asset Transfer Agreement (as more fully provided therein) that for a period of seven (7) years following Closing of the sale of DuPont's Business to Unifi, DuPont will not, directly or indirectly, engage in the sale of Products in the Americas.

14.8 Efforts. Each Party shall use its diligent efforts to obtain all

authorizations, consents, orders and approvals of, and to give all notices to and make all filings with, all governmental authorities and other third parties that may be or become necessary for such party's execution and delivery of, and the performance of its obligations pursuant to this Agreement and the Implementation Agreements. Each Party will cooperate fully with the other Party in promptly seeking to obtain all such

authorizations, consents, orders and approvals, giving such notices, and making such filings. The Parties acknowledge that time shall be of the essence in this Agreement and agree not to take any action that will have the effect of unreasonably delaying, impairing or impeding the receipt of any required authorizations, consents, orders or approvals.

14.9 Implementation Agreements. As soon as reasonably possible, but in no event later than the Closing Date, the Parties shall discuss and finalize material and service agreements between DuPont and Unifi, which shall be substantially in the form of the following attached Implementation Agreements:

- (a) Attached hereto as Schedule 10 is an Agreed Form Transition Services Agreement relative to administrative services that may be provided by DuPont to Unifi after the Closing Date.
- (b) Attached hereto as Schedule 8 is an Agreed Form Kinston Site Services Agreement relative to site services to be provided by Unifi to DuPont at the Kinston Site after the Closing Date.
- (c) Attached hereto as Schedule 7 is an Agreed Form Kinston Ground Lease Agreement relative to the lease of land at the Kinston Site by DuPont to Unifi after the Closing Date.
- (d) Attached hereto as Schedule 13 is an Agreed Form Material Supply Agreement relative to the sale of TPA by DuPont to Unifi after the Closing Date.
- (e) Attached hereto as Schedule 14 is an Agreed Form Material Supply Agreement relative to the sale of MEG by DuPont to Unifi after the Closing Date.
- (f) Attached hereto as Schedule 9 is an Agreed POY Trademark, Patent and Technology License Agreement.

In the event that the Cape Fear Facility is still operating on the Closing Date, then the Parties shall enter into a services agreement, in a mutually agreeable form, whereby DuPont shall contract manufacture POY for Unifi.

In the event DuPont purchases Unifi's Business pursuant to Article 14.5, then the Asset Transfer Agreement and the Implementation Agreements shall be revised to the limited extent necessary to reflect such transaction.

ARTICLE 15: CONDUCT OF MANUFACTURING OPERATIONS UNTIL TERMINATION

15.1 Cooperation. Following the Effective Date, the Parties shall conduct their POY manufacturing operation subject to the following provisions:

- a. The Parties shall do all things as may be required to give effect to this Article, including, without limitation, executing all documents, convening all necessary meetings, giving all necessary waivers and consents, passing all resolutions and otherwise exercising all powers and rights available to it.

- b. The Parties shall cooperatively discuss and diligently plan for integration of their manufacturing operations so as to enable the Parties to maximize the synergies that may be derived from the formation of the Alliance.

15.2 Conduct of Business. In the period from the Effective Date until

termination of the Alliance, the Parties shall conduct their Businesses as follows:

- a. the Business is carried on in the Ordinary Course, with the duty and care of a good manager (due care);
- b. unless otherwise agreed by the Parties capital expenditures project which the Parties have commenced to implement within the Business shall not be discontinued or progressed other than pursuant to their respective capital expenditures project plan;
- c. except as required by law or by any governmental, administrative, or judicial authority of competent jurisdiction or pursuant to any agreement, commitment and/or arrangement existing as of the date of this Agreement, the Parties shall not:
 - (1) make a substantial change in the terms of employment or benefits of any employees except in the Ordinary Course of Business; or
 - (2) sell land or buildings related to the Business Assets which are in commercial use; or
 - (3) fail to comply in any substantial respect with applicable laws; or
 - (4) fail to maintain in its substance the equipment in its current state of repair, excepting normal wear and tear or fail to replace consistent with the Parties' past practices.

15.3 Access to Facilities. Representatives and customers of the Parties may

access the Facilities following reasonable advance notice, provided that such Persons comply with applicable site rules and regulations and such Persons shall execute confidentiality agreements as may be reasonably required by the Parties.

ARTICLE 16: DISPUTE RESOLUTION

16.1 Consultation to Resolve Disputes. Subsequent to the Effective Date, the

Parties shall attempt in good faith to settle disputes between the Parties relative to (a) the interpretation of this Agreement or any Ancillary Agreement or (b) the accounting of costs or revenues as provided herein. In the event that the Parties cannot resolve a dispute, it may be submitted by either Party to the Policy Board. If, after such

consultation, the members of the Policy Board cannot solve the dispute, they will wait for not less than sixty (60) days after the dispute arises and at the end of such period meet for a second consultation. If the dispute still cannot be resolved after this second consultation, the matter shall be referred to the Supervisory Board. The Supervisory Board shall diligently attempt to resolve the dispute, including, if they deem it necessary, meeting directly in order to provide full consideration of the dispute. If the Supervisory Board is unable to resolve the dispute or agree to submission to a non-binding alternate dispute resolution process within sixty (60) additional days after the second

consultation, then (a) issues relative to the interpretation of this Agreement or an Ancillary Agreement may be resolved by either Party's referring the matter to arbitrators for binding arbitration in accordance with this Article 16 for the purpose of deciding the issue and (b) issues relative to accounting may be referred to accountants for binding resolution in accordance with this Article 16.

In the case the Parties cannot resolve a dispute relative to all or part of a budget, the Parties will continue to operate to the extent possible in accordance with the last approved budget.

16.2 Arbitration Notice. If the Parties are unable to resolve a dispute

relative to the interpretation of this Agreement or an Ancillary Agreement through negotiation as provided in Section 16.1 or to agree upon an alternate method for doing so, the matter shall, at the written request of either Party, be finally determined and settled pursuant to arbitration in Washington, D.C., by three (3) arbitrators, one (1) to be appointed by Unifi, one (1) to be appointed by DuPont, and a neutral arbitrator to be appointed by such two (2) Party-appointed arbitrators. The neutral arbitrator shall be an attorney and shall act as chairperson. Any such arbitration may be initiated by a Party by written notice ("Arbitration Notice") to the other Party specifying the subject of the requested arbitration and appointing such Party's arbitrator for such arbitration.

16.3 Appointment of Arbitrator. Should (i) a Party receiving an Arbitration

Notice fail to appoint an arbitrator as herein above contemplated by written notice to the Party giving the Arbitration Notice within twenty (20) days after the receipt of the Arbitration Notice, or (ii) the two (2) arbitrators appointed by or on behalf of the Parties as contemplated in Paragraph 16.2 hereof fail to appoint a neutral arbitrator as herein above contemplated within twenty (20) days after the date of the appointment of the last arbitrator appointed by or on behalf of the Parties, then the American Arbitration Association, upon application of Unifi or of DuPont, shall appoint an arbitrator to fill any such position with the same force and effect as though such arbitrator had been appointed as herein above contemplated.

16.4 Arbitration Proceedings. The arbitration proceeding shall be conducted in

the English language in Washington, D.C., in accordance with the Commercial Rules of the American Arbitration Association. A determination, award or other action shall be considered the valid action of the arbitrators if supported by the affirmative vote of two (2) or three (3) of the three (3) arbitrators. The costs of arbitration (exclusive of the

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expense of a Party in obtaining and presenting evidence and attending the arbitration, and of the fees and expenses of legal counsel to such Party, all of which shall be borne by such Party) shall be shared equally by Unifi and DuPont. The arbitration award shall be final and conclusive and shall receive recognition, and judgment upon such award may be entered and enforced in any court of competent jurisdiction.

16.5 Resolution of Accounting Disputes. (a) If the Parties are unable to

resolve a dispute relative to accounting matters through negotiation as provided in Section 16.1 or to agree upon an alternate method for doing so, the matter shall, at the written request of either Party, be finally determined by an independent accountant (the "Independent Accountant") selected by the Parties. Any such accounting may be initiated by a Party by written notice ("Accounting Notice") to the other Party specifying the subject of the requested accounting.

(b) If the Parties are unable to agree upon the Independent Accountant within fourteen (14) days of such Accounting Notice, then the Independent

Accountant shall be appointed by the President of the American Institute of Certified Public Accountants on the application of either Party.

(c) The Independent Accountant shall act as an expert and not as an arbitrator and his/her decision shall (in the absence of manifest error) be final and binding on the Parties. The Independent Accountant shall afford the Parties the opportunity of making written representations to him or her.

(d) The fees and expenses of the Independent Accountant shall be borne by the Parties in equal shares unless the Independent Accountant otherwise determines.

16.6 Disputed Payments. If a payment made or to be made hereunder is disputed, -----
then the undisputed portion of the payment shall be made and the disputed portion of the payment shall thereafter be resolved pursuant to the terms of this Article 16. If the resolution of the disputed payment requires payment from one Party to another upon final determination of the Independent Accountant, then such payment shall bear interest at a reasonable rate from the date of the original disputed payment.

ARTICLE 17: ASSIGNMENT

17.1 This Agreement may not be transferred or assigned to a third party without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, that this Agreement may be freely assigned by either Party to an Affiliate in which case the Affiliate shall assume the transferring Party's rights and obligations under this Agreement and the transferring Party shall guarantee its Affiliate's performance thereunder.

ARTICLE 18: REPRESENTATIONS AND WARRANTIES

18.1 Each Party represents and warrants to the other Party as follows:

- (a) The Party is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has full corporate power to own, lease or operate its assets, properties and businesses and to enter into this Agreement.
- (b) The execution, delivery and performance by the Party of this Agreement and the consummation of the transactions contemplated hereby: (1) have been duly authorized and approved by the governing board of the Party; (2) do not conflict with any provision of the Certificate of Incorporation, Bylaws or other organizational documents of the Party; (3) do not violate any law, regulation, order of judgment or decree by which the Party is bound; or (4) do not conflict with or result in a breach of any agreement, contract or commitment to which the Party is obligated.
- (c) Other than any action contemplated by the relevant antitrust authorities, there are no material actions or proceedings pending, or to the knowledge of the Party, threatened, at law or in equity, before any court or before or by any governmental agency, or by any private person or entity which would challenge the validity or enforceability of this Agreement, interfere with the performance by the Party of its obligations hereunder or result in the imposition of any encumbrance of any kind on or result in any diminution in value of the Parties' respective Business Assets.

ARTICLE 19. OPERATION UNTIL SALE

19.1 The Parties covenant and agree that between the Effective Date and the Closing Date the Parties shall not, without having received the prior written consent of the other Party, do any of the following with respect to its Business:

- (a) sell, demolish, remove, alter, enlarge or dispose (or permit same) of any of the Business Assets to any material extent, other than in the Ordinary Course of Business (including sales of Inventory in the ordinary course);
- (b) make any material change in the operation of its Business Assets other than in the Ordinary Course of Business;
- (c) alter or revise in any material respect the accounting principles, procedures, methods or practices being used in connection with the Alliance.

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ARTICLE 20: CONFIDENTIALITY

20.1 The Parties shall provide that their employees, officers, directors, advisors, affiliates shall treat as confidential and not use for purposes other than as contemplated by the Agreement for the term of this Agreement and a period of ten (10) years following termination hereof, the Letter of Intent dated March 12, 2000 (the "LOI"), or any of their provisions, as well as all business, technical and intellectual property information disclosed or which otherwise becomes known pursuant to this Agreement ("Confidential Information"). This obligation of confidentiality shall not apply to:

- (a) information which is or becomes known publicly through no fault of the receiving Party;
- (b) information learned by the receiving Party from a third party entitled to disclose it;
- (c) information already known to the receiving Party before receipt from the other Party as shown by the receiving Party's written records.
- (d) information which a Party is legally obliged by a court or governmental entity to furnish but only to the extent such Party is so obligated, and only after such Party has notified the other Party of such obligation.
- (e) the furnishing of the documents in connection with (i) the Parties' HSR Act filings, (ii) documents required to be submitted to the Securities and Exchange Commission or (iii) compliance with other governmental laws or regulations.

20.2 Confidential Information disclosed with regard to this Agreement shall not be disclosed to any person or entity which is not either an employee, officer, director of a Party or its Affiliates or its advisors who requires to see the Confidential Information for the purposes of this Agreement or who has not agreed in writing to treat such Confidential Information as confidential in accordance with the terms of this Agreement. Upon termination or expiration of this Agreement, all materials containing Confidential Information disclosed hereunder shall promptly be returned to the disclosing Party upon its request.

ARTICLE 21: COMPLIANCE

21.1 The covenants and agreements set out in this Agreement shall bind the Parties, and their permitted successors and assigns. Each of the Parties shall cause compliance with this Agreement by its Affiliates.

ARTICLE 22: FURTHER ASSURANCES

22.1 Each of the Parties agrees to take all reasonably necessary steps to do all such further acts and things as may be necessary to cause the purposes and intentions of this Agreement to be carried out.

ARTICLE 23: AMENDMENT AND MODIFICATION

23.1 This Agreement may be amended, modified, and supplemented only by written agreement of the Parties. Whenever this Agreement requires or permits waivers or consents by or on behalf of any Party, any such waiver or consent shall be given in writing.

ARTICLE 24: ENTIRE AGREEMENT

24.1 This Agreement (including the Appendices, Exhibits, Schedules and other agreements referred to herein) embodies the entire agreement and understanding of the Parties with respect to the matters contemplated thereby. There are no restrictions, promises, representations, warranties, covenants, or undertakings with respect thereto, other than those set forth or referred to in this Agreement, the Appendices, and the Schedules and Exhibits appended hereto. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof, including but not limited to the Letter of Intent between the Parties dated March 12, 2000. Except as provided for herein, no rights in favor of third parties are hereby created. In the event and to the extent that the provisions of the Ancillary Agreements conflict with the terms of this Agreement, the terms of the Ancillary Agreements shall control unless otherwise specifically provided herein.

ARTICLE 25: COSTS AND EXPENSES

25.1 Each Party hereto shall pay its own legal, accounting and other expenses incident to this Agreement and the agreements appended hereto and the consummation of the transactions contemplated hereby.

ARTICLE 26: GOVERNING LAW

26.1 This Agreement shall be interpreted and construed in accordance with the laws of the State of North Carolina, USA. To the extent that any Ancillary Agreement contains its own choice of law provision, the terms of that choice of law provision

shall prevail over this provision with respect to any dispute under that Ancillary Agreement.

ARTICLE 27: COUNTERPARTS

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

ARTICLE 28: EXHIBITS, HEADINGS, AND CAPTIONS

29.1 The Appendices, Schedules and Exhibits to this Agreement are an integral part of this Agreement. The headings and captions contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE 29: NOTICES

29.1 All notices, consents, requests, demands and other communications authorized or required to be given pursuant to this Agreement shall be given in writing to the following addresses or to such other addresses as the Parties shall provide in a written notice delivered to all other parties:

If to DuPont:

E. I. du Pont de Nemours and Company
1007 Market Street
Wilmington, DE 19898, USA
Attention: Group Vice President - Polyester Enterprise (presently George F. MacCormack)

If to Unifi:

Unifi, Inc.
P. O. Box 19109
7201 W. Friendly Avenue
Greensboro, NC 27419-9109, USA
Attention: Chief Financial Officer (presently Willis C. Moore III)

29.2 Notices under this Agreement shall be deemed effective on the earlier of: actual receipt; one (1) working day after dispatch when sent by telex, cable or by facsimile to the recipient's proper telex or facsimile number, or when delivered by hand; or five (5) working days after being sent by express or overnight delivery

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service addressed as set out above (or as otherwise designated by any party in writing by notice given in accordance with this Article 29).

ARTICLE 30: PUBLIC ANNOUNCEMENTS

30.1 The Parties hereto agree that no public release or announcement concerning this Agreement or the transactions contemplated hereby shall be issued by a Party without the prior written consent of DuPont and Unifi as to the nature and content of the disclosure (which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of the United States.

ARTICLE 31: FORCE MAJEURE

31.1 A Party or its Affiliate whose performance hereunder is prevented by an Uncontrollable Event shall, upon providing written notice to the other Party within ten (10) days after the occurrence of such Uncontrollable Event, be excused from such performance for an additional period of sixty (60) days beyond the date or period otherwise specified for such performance to the extent the Uncontrollable Event prevents its performance, provided that the Party so affected shall use reasonable efforts to avoid or remove the cause of non-performance and shall continue performance hereunder immediately upon the removal of such cause.

ARTICLE 32: SEVERABILITY

32.1 If any provision of this Agreement is held to be invalid by a court of competent jurisdiction or by any regulatory agency, the remaining provisions of this Agreement shall remain in full force and effect and the Parties will renegotiate a suitable replacement for the term or terms held invalid.

ARTICLE 33: SURVIVAL

33.1 The covenants contained in this Agreement which contemplate their performance after the expiration or termination of this Agreement shall be enforceable notwithstanding the expiration or other termination of this Agreement.

ARTICLE 34: SPECIFIC PERFORMANCE

34.1 Each party hereto agrees with the other Party that the other Party would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that monetary damages would not provide an adequate remedy in such event. Accordingly, it is agreed that in addition to any other remedy to which a Non-Breaching Party may be entitled, at law or in equity, the Non-Breaching Party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and specifically to enforce the terms and provisions hereof.

ARTICLE 35: LIMITATION OF LIABILITY; INDEMNIFICATION

35.1 Limitation of Liability. Neither Party shall incur any liability to the

other in connection with the Alliance and the performance of obligations under this Agreement for any mistakes or errors in judgment made in good faith and in the exercise of due care in connection with the Businesses, and no Party shall be deemed to have violated any of the provisions of this Agreement for any such mistakes or errors in judgment.

35.2 Indemnity for Actions of Parties. The Parties shall indemnify, defend and

hold the other harmless from and against any and all claims, liabilities, damages, losses, costs, expenses (including, but not limited to, settlements, judgments, court costs and reasonable attorneys' fees), fines and penalties arising out of any injury, loss or damage of any nature whatsoever (including, without limitation, loss of or damage to property, or damage to the environment) due or relating to operation of its Business, including without limitation, (i) any environmental liabilities arising from events, acts, omissions, circumstances, or violations of environmental laws, (ii) any liability for claims for actions that relate to the benefit

plans or employment practices of a Party, including without limit claims for accidents, injuries, sexual harassment, and labor relations from employees of a Party, (iii) any liability for taxes with respect to the Business, or (iv) liabilities arising from the actions the Party's respective personnel or any contract personnel who are managed and directed by the Parties.

35.3 Limitation - Consequential Damages.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR AT LAW OR IN EQUITY, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR PUNITIVE, SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION OR ANY OTHER LOSS)

ARISING FROM OR RELATING TO ANY CLAIM MADE UNDER THIS AGREEMENT, EVEN IF EITHER OF THEM HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 36: MISCELLANEOUS

36.1 U.S. Currency. All dollar amounts set forth herein are expressed in

United States currency.

36.2 Terminology.

36.2.1 A word or series of words comprising a defined term hereunder has its defined meaning only when used solely and precisely in the form defined and not when used as a component of another defined term.

36.2.2 The use of the terms "including", "include", and "includes" followed by one or more examples is intended to be illustrative and shall not be deemed or construed to limit the scope of the classification or category to the examples listed.

36.2.3 The singular shall include the plural and vice versa and words denoting persons shall include bodies incorporated and unincorporated associations of persons and, unless otherwise stated, shall include successors or assigns of such persons.

36.3 Brokers. The Parties represent to each other that they have not engaged

any broker or finder with respect to the transactions contemplated by this Agreement, the Ancillary Agreements or the Asset Transfer Agreement.

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed in their respective corporate names by their respective officers each of whom is duly and validly authorized and empowered, all as of the day and year first above written.

UNIFI, INC.

By: /s/ G. ALLEN MEBANE IV

Name: G. Allen Mebane IV

Title: Chairman of the Board

Date: June 1, 2000

E. I. DU PONT DE NEMOURS AND COMPANY

By: /s/ GEORGE F. MACCORMICK

Name: George F. Maccormick

Title: Group Vice-President--
Chemicals and Polyester

Date: June 2, 2000

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SCHEDULE 12

Conditions Precedent

The obligations of the Parties to consummate the sale of the DuPont's Business from DuPont to Unifi are subject to satisfaction of the following conditions:

- (1) All waiting periods and any extensions thereof under the HSR Act applicable to the consummation of the Proposed Transactions have been satisfied, expired, or been terminated (the "HSR Condition") without imposing any conditions on either of the Parties which are deemed by DuPont or Unifi, as the case may be, in their reasonable opinion to be unacceptable.
- (2) All waiting periods and any extensions thereof under the applicable competition law in other countries have been satisfied, expired, or been terminated without imposing any conditions on either of the Parties which are deemed by DuPont or Unifi, as the case may be, in their reasonable opinion to be unacceptable.
- (3) Unifi shall have obtained the approval by its Shareholders, if necessary (following the strong recommendation of Unifi's officers and directors).
- (4) All other governmental consents and approvals, as are required by law, have been obtained or all waiting periods (in addition to the HSR Condition) (and any extensions thereof) have expired or terminated in any relevant jurisdiction for the purposes of implementing the proposed transactions in a form reasonably satisfactory to both Parties.
- (5) No order, writ, injunction, or decree has been issued which restrains, enjoins, or invalidates, or otherwise has a Material Adverse Effect on the proposed transactions and no action, suit, or other proceeding is pending or threatened that has a reasonable likelihood of resulting in any such order, writ, injunction, or decree being issued.
- (6) All obligations and undertakings of the other Party (the breach of which, singly or in the aggregate, would result in a Material Adverse Effect) to be performed by the other Party under this Agreement prior to or at the Closing Date shall have been performed.
- (7) All warranties and representations made by the other Party in this Agreement (the breach of which, singly or in the aggregate, would be material) shall be true and correct in all material respects.
- (8) Compliance with all federal, state and local government regulations relating to the consummation of the Proposed Transaction and completion of any other required government filings and approvals.
- (9) Absence of pending or threatened litigation or government investigation

resulting, singly or in the aggregate, in a Material Adverse Effect to the Parties' Businesses.

(10) Unifi shall have obtained a reasonable amount of financing on commercially reasonable terms for the proposed transaction.

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Schedule 13 - Material Supply Agreement - TPA - Agreed Form

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Schedule 14 - Material Supply Agreement - MEG - Agreed Form

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(Exhibit 21)

UNIFI, INC.

SUBSIDIARIES

Name	Address	Incorporation	Unifi Percentage of Voting Securities Owned
Unifi, FSC Ltd.	Agana, Guam	Guam	100%
Unifi Textured Yarns Europe, Ltd.	Letterkenny, Ireland	Ireland	100%
Unifi Dyed Yarns, Ltd.	Manchester, England	United Kingdom	100%
Unifi International Services, Inc.	Warwickshire, England	North Carolina	100%
Unifi International Services Europe	Lyon, France	France	100%
Unifi GmbH	Oberkottzau, Germany	Germany	100%
Unifi Italia, S.r.l.	Viale Andreis, Italy	Italy	100%
Unifi Manufacturing, Inc. ("UMI")	Greensboro, NC	North Carolina	100%
Unifi Sales & Distribution, Inc. ("USD")	Greensboro, NC	North Carolina	100%
Unifi Manufacturing Virginia, LLC	Greensboro, NC	North Carolina	95% 5% - UMI
Unifi Export Sales, LLC	Greensboro, NC	North Carolina	95% 5% - UMI
Unifi-SANS Technical Fiber, LLC	Madison, NC	North Carolina	50% - UMI 50% - SANS Fibers, Inc.
Unifi Technical Fabrics, LLC	Mocksville, NC	North Carolina	100%
Unifi Technology Group, Inc.	Charlotte, NC	North Carolina	88.27% USD 11.73%Others
Unifi Textured Polyester, LLC	Greensboro, NC	North Carolina	85.42% - UMI 14.58% - Burlington Industries, Inc.
Unifi do Brasil, Ltda	San Paulo, Brazil	Brazil	100%
Spanco Industries, Inc. ("SI")	Greensboro, NC	North Carolina	100% - UMI
[SI owns:	100%	Spanco International, Inc., ("SII"), a North Carolina corporation]	

[SII owns: 83% Unifi Latin America, S.A., a Columbian sociedad anonime;
the remainder of Spanco Latin America is presently owned
by:
1% Unifi designees
16% Spanco - Panama, S.A.]

CONSENT OF INDEPENDENT AUDITORS

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 the 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, and the Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan and the Registration Statement (Form S-8 No. 333-43158) pertaining to the Unifi, Inc. 1999 Long-Term Incentive Plan of our report dated July 18, 2000, with respect to the consolidated financial statements and schedule of Unifi, Inc. included in this Annual Report (Form 10-K) for the year ended June 25, 2000.

Greensboro, North Carolina
September 19, 2000

/s/ ERNST & YOUNG LLP

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT FOR THE TWELVE MONTH PERIOD ENDED JUNE 25, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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</FN>