UNIFI INC
Form DEF 14A
September 14, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

UNIFI, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(l) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue

Greensboro, North Carolina 27410

September 14, 2011

To The Shareholders of

Unifi, Inc.

The Annual Meeting of Shareholders of your Company will be held at 9:00 A.M. Eastern Daylight Savings Time on Wednesday, October 26, 2011, at the Company s corporate headquarters at 7201 West Friendly Avenue, Greensboro, North Carolina.

We are providing access to our proxy materials over the Internet. On or about September 14, 2011 we will mail a Notice of Internet Availability of Proxy Materials (the Notice) to our Shareholders of record and beneficial owners at the close of business on September 6, 2011. On the date of mailing of the Notice, all Shareholders and beneficial owners will have the ability to access all of the proxy materials on a web site referred to in the Notice. These proxy materials will be available free of charge.

Detailed information relating to the Company s activities and operating performance is contained in its Annual Report on Form 10-K for the fiscal year ended June 26, 2011, which is available over the Internet as described in the Notice.

You are cordially invited to attend the Annual Meeting of Shareholders in person. Even if you choose to attend in person, you are encouraged to review the proxy materials and vote your shares in advance of the meeting by Internet. The Notice will contain instructions to allow you to request copies of the proxy materials to be sent to you by mail. Any proxy materials sent to you will include a proxy card that will provide you with a telephone number you may call to cast your vote, or you may complete, sign and return the proxy card by mail. Your vote is extremely important and we appreciate your taking the time to vote promptly.

Sincerely,

William L. Jasper
Chairman and Chief Executive Officer

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue

Greensboro, North Carolina 27410

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 26, 2011

To The Shareholders of

Unifi, Inc.

The Annual Meeting of Shareholders of Unifi, Inc. (the Company) will be held at the Company s corporate headquarters at 7201 West Friendly Avenue, Greensboro, North Carolina, on Wednesday, October 26, 2011 at 9:00 A.M. Eastern Daylight Savings Time, for the following purposes:

1. To elect ten (10) directors to serve until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified.

2. To hold an advisory vote on executive compensation.

3. To hold an advisory vote on the frequency of future advisory votes on executive compensation.

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

The Board of Directors, under the provisions of the Company s By-Laws, has fixed the close of business on September 6, 2011, as the record date for determination of Shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders or any adjournment or adjournments thereof. The transfer books of the Company will not be closed.

YOUR VOTE IS IMPORTANT. We appreciate your taking the time to vote promptly. After reading the Proxy Statement, please vote at your earliest convenience by Internet, or request that proxy materials be sent to you by mail. If you request the proxy materials by mail, included in those materials will be a proxy card with a telephone number you may call to cast your vote, or you may complete, sign and return the proxy card by mail.

YOUR SHARES CANNOT BE VOTED UNLESS YOU EITHER (I) VOTE BY INTERNET, (II) REQUEST PROXY MATERIALS BE SENT TO YOU THAT WILL INCLUDE A PROXY CARD WITH A TELEPHONE NUMBER YOU MAY CALL TO CAST YOUR VOTE, OR YOU MAY COMPLETE, SIGN AND RETURN THE PROXY CARD BY MAIL, OR (III) ATTEND THE ANNUAL MEETING AND VOTE IN PERSON.

By Order Of The Board of Directors:

Charles F. McCoy
Vice President, Secretary, General Counsel

and Chief Risk Officer

Greensboro, North Carolina

September 14, 2011

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue

Greensboro, North Carolina 27410

PROXY STATEMENT

SOLICITATION OF PROXIES

This solicitation of the enclosed proxy is made by the Board of Directors (the Board) of Unifi, Inc. (the Company) for use at the Annual Meeting of Shareholders to be held on Wednesday, October 26, 2011, at 9:00 A.M. Eastern Daylight Savings Time, at the Company s corporate headquarters located at 7201 West Friendly Avenue, Greensboro, North Carolina, or at any adjournment or adjournments thereof (the Annual Meeting).

In accordance with rules and regulations adopted by the Securities and Exchange Commission (the SEC), instead of mailing a printed copy of our proxy materials to each Shareholder of record, the Company furnishes proxy materials on the Internet. If you received a Notice of Internet Availability of Proxy Materials (the Notice) by mail, you will not receive a printed copy of the proxy materials other than as described in this Proxy Statement. Instead, the Notice will instruct you as to how you may access and review all of the important information contained in the proxy materials. The Notice also instructs you as to how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials or vote by telephone, you should follow the instructions for requesting proxy materials included in the Notice.

It is anticipated that the Notice will be sent to Shareholders on or about September 14, 2011. The Proxy Statement and the form of proxy relating to the Annual Meeting will be made available to Shareholders on the date that the Notice is first sent.

The proxy may be revoked in writing by the person giving it at any time before it is exercised either by notice to the Secretary or by submitting a proxy having a later date, or it may be revoked by such person by appearing at the Annual Meeting and electing to vote in person. All shares represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified therein. If no specification is made with respect to the matter to be acted upon, the shares represented by the proxies will be voted (i) in favor of electing as directors of the Company the ten (10) nominees for director named in this Proxy Statement, (ii) in favor of the advisory vote on executive compensation, (iii) in favor of every 1 Year for the advisory vote on the frequency of future advisory votes on executive compensation, and (iv) in the discretion of the proxy holder on any other matters presented at the Annual Meeting.

The expense of this solicitation will be borne by the Company. Solicitations of proxies may be made in person, by mail or by telephone, telegraph or electronic means by directors, officers and regular employees of the Company who will not be specially compensated in such regard. In addition, the Company has retained Phoenix Advisory Partners, a division of American Stock Transfer and Trust Company, LLC, to assist in the solicitation of proxies and will pay such firm a fee estimated not to exceed $7,000 plus reimbursement of expenses. Arrangements will be made with brokers, nominees and fiduciaries to send proxies and proxy materials, at the Company s expense, to their principals.

The Company s common stock (the Common Stock), par value $.10 per share, is the only class of stock of the Company. Only Shareholders of record as of the close of business on September 6, 2011 (the Record Date), will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. As of the Record Date, the Company had outstanding 20,086,094 shares of its Common Stock. Each share of the Common Stock entitles the holder to one vote with respect to each matter coming before the Annual Meeting and all such shares vote as a single class.

VOTING OF SHARES

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

Under the rules of the New York Stock Exchange, Inc. (NYSE), a bank, broker or other nominee holding the Company s shares in street name for a beneficial owner has discretion (but is not required) to vote the client s shares with respect to routine matters if the client does not provide voting instructions. The broker or other nominee, however, is not permitted to vote the client s shares with respect to non-routine matters without voting instructions. A broker non-vote occurs when the broker or other nominee does not vote on a particular proposal because that broker or other nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

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The proposal to elect directors, the advisory vote on executive compensation, and the advisory vote on the frequency of future advisory votes on executive compensation are each considered a non-routine matter under the NYSE rules, which means that your broker or other nominee may not use its discretion to vote your shares held in street name on these matters without your express voting instructions. Accordingly, if you do not instruct your broker or nominee to vote your shares, the broker or other nominee may either: (i) vote your shares on routine matters and cast a broker non-vote on non-routine matters, or (ii) leave your shares unvoted altogether.

Each share represented is entitled to one vote on all matters properly brought before the Annual Meeting. Directors will be elected by a plurality of the votes cast by the Shareholders at a meeting in which a quorum is present. Therefore, abstentions, shares not voted and broker non-votes, if any, will have no effect on the election of directors.

Approval of the advisory vote on executive compensation requires the affirmative vote of a majority of the votes cast by Shareholders entitled to vote, present in person or represented by proxy at the Annual Meeting. Shareholders may vote to have the advisory vote on executive compensation held every year, every two years or every three years, or you may abstain from voting. The option of one year, two years or three years that receives the affirmative vote of a majority of the votes cast by Shareholders entitled to vote, present in person or represented by proxy at the Annual Meeting, will be the frequency for the advisory vote on executive compensation selected by our Shareholders. In the absence of a majority of votes cast in support of any one frequency, the option of one year, two years or three years that receives the greatest number of votes will be considered the frequency selected by our Shareholders. Abstentions, shares not voted and broker non-votes, if any, will have no effect on the two shareholder advisory votes at the meeting.

INFORMATION RELATING TO PRINCIPAL SECURITY HOLDERS

The following table sets forth information, as of September 1, 2011, with respect to each person known or believed by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock. The nature of beneficial ownership of the shares indicated is set forth in the notes following the table.

Name and Address of Beneficial Owner	*Amount and Nature of Beneficial Ownership(1)*	*Percent of Class*
Mitchel Weinberger(2) 53 East 34th Street Paterson, NJ 07514	1,760,432	8.76%
Dillon Yarn Corporation(3) 53 East 34th Street Paterson, NJ 07514	1,730,432	8.62%
Dimensional Fund Advisors LP (4) Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	1,697,643	8.45%
William M. Sams (5) 750 North St. Paul, Suite 1650 Dallas, TX 75201	1,629,076	8.11%
Pinnacle Associates Ltd. (6)	1,230,746	6.13%

335 Madison Avenue, 11th Floor

New York, NY 10017

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

(2) As indicated in a Form 3, filed on March 17, 2011, Mr. Weinberger s beneficial ownership includes 1,730,432 shares owned by Dillon Yarn Corporation (Dillon), of which Mr. Weinberger has shared voting and investment power and of which Mr. Weinberger disclaims beneficial ownership.

(3) As indicated in its Schedule 13D/A, filed on June 29, 2010, and after giving effect to the Company s 1-for-3 reverse stock split effected November 3, 2010, Dillon beneficially owned 1,730,432 shares by virtue of having sole voting and investment power over such shares.

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(4) As indicated in its Schedule 13G/A, filed on February 11, 2011, Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, may be deemed to beneficially own 1,697,643 shares by virtue of having sole voting and investment power over such shares.

(5) As indicated in a Form 4, filed on March 9, 2011, Mr. Sams beneficial ownership includes 122,410 shares owned by Marlin Sams Fund L.P, of which Mr. Sams has shared voting and investment power and of which Mr. Sams disclaims beneficial ownership. The table also reflects 3,333 shares that Mr. Sams would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 1, 2011, provided that the closing price of the Company s Common Stock as listed on the NYSE shall be at least $24.00 per share for 30 consecutive days, and 3,333 shares that Mr. Sams would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 1, 2011, provided that the closing price of the Company s Common Stock as listed on the NYSE shall be at least $30.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.

(6) As indicated in its Schedule 13G, filed on March 14, 2011, Pinnacle Associates Ltd., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, may be deemed to beneficially own 1,230,746 shares by virtue of having sole voting and investment power over such shares.

PROPOSAL 1: ELECTION OF DIRECTORS

General Information

The Board presently is fixed at ten (10) members. All the nominees for election are presently serving as directors and have consented to be named in this Proxy Statement and to serve, if elected. Although the Board expects that each of the nominees will be available for election, in the event a vacancy in the slate of nominees is occasioned by death or other unexpected occurrence, it is intended that shares represented by proxies in the accompanying form will be voted for the election of a substitute nominee selected by the person named in the proxy.

Set forth below is the name of each of the ten (10) nominees for election to the Board, together with the nominee s age, current principal occupation (which has continued for at least the past five years unless otherwise indicated), the name and principal business of the company by which he or she is employed, if applicable, the period or periods during which he or she has served as director, all positions and offices that he or she holds with the Company, his or her directorships in other companies with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or companies registered as an investment company under the Investment Company Act of 1940 and the specific experience, qualifications, attributes or skills that led to the conclusion that such person should serve as a director of the Company.

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NOMINEES FOR ELECTION AS DIRECTORS

WILLIAM J. ARMFIELD, IV (76) *Mr. Armfield has been the President of Spotswood Capital, LLC, Greensboro, North Carolina, a private investment company, since 1995*. Mr. Armfield was a director and President of Macfield, Inc., a textile company in North Carolina, from 1970 until August 1991, when Macfield, Inc. merged with and into Unifi, Inc. Mr. Armfield was the Vice Chairman and a director of the Company from 1991 to December 1995. Mr. Armfield again became a director of the Company in 2001, and is a member of the Board s Audit Committee and Compensation Committee. Mr. Armfield serves as an Audit Committee financial expert. Mr. Armfield brings operating and management experience, expertise in finance, and business development experience to the Company as a result of his professional experiences. In addition, through his experience at Macfield, he brings direct textile experience to the Board. These experiences provide the Board with, among other things, expertise and context important to the oversight of the Company s financial reporting and business strategy implementation.

R. ROGER BERRIER, JR. (42) *Mr. Berrier has been the President and Chief Operating Officer of the Company since February 22, 2011*. He had been the Executive Vice President of Sales, Marketing and Asian Operations of the Company from September 2007 to February 22, 2011. Prior to September 2007, he had been the Vice President of Commercial Operations from April 2006 to September 2007 and the Commercial Operations Manager responsible for corporate product development, marketing and brand sales management from April 2004 to April 2006. Mr. Berrier joined the Company in 1991 and has held various management positions within operations, including international operations, machinery technology, research & development and quality control. He has been a director since September 2007 and is a member of the Board s Executive Committee. Mr. Berrier brings executive decision making skills, operating and management experience, expertise in sales, marketing and branding, business development and direct textile industry business acumen to the Company as a result of his professional experiences. These experiences and Mr. Berrier s on-going interaction with the Company s customers and suppliers provide the Board with, among other things, industry expertise important to the Company s businesses, as well as a detailed understanding of the Company s business and operations and the economic environment in which it operates.

ARCHIBALD COX, JR. (71) *Mr. Cox has been the Chairman of Sextant Group, Inc., a financial advisory and private equity firm, since 1993*. Mr. Cox is the former Chairman of Barclays Americas, a position he held from May 2008 until June 2011. Mr. Cox was a director of Hutchinson Technology Incorporated from May 1996 to September 2009, was the Chairman of Magnequench, Inc., a manufacturer of magnetic material, from September 2005 to September 2006 and was the President and Chief Executive Officer of Magnequench, Inc., from October 1995 to August 2005. He was Chairman of Neo Material Technologies Inc., a manufacturer of rare earth, zirconium and magnetic materials, from September 2005 to September 2006. Mr. Cox has been a director of the Company since February 2008 and is a member of the Board s Compensation Committee. Mr. Cox brings executive decision making skills, operating and management experience, expertise in finance, investment and business development experience to the Company as a result of his professional experiences. In addition, through his experience as Chairman of Barclays in particular, Mr. Cox brings to the Board considerable experience with financial and strategic planning matters critical to the oversight of the Company s financial reporting, compensation practices and business strategy implementation.

WILLIAM L. JASPER (58) *Mr. Jasper has been the Company s Chairman of the Board since February 22, 2011 and Chief Executive Officer since September 2007*. From September 2007 to February 22, 2011, he was also the President of the Company, and was Vice President of Sales from April 2006 to September 2007. Prior to April 2006, Mr. Jasper was the General Manager of the Polyester segment, having responsibility for all natural polyester businesses. He joined the Company with the purchase of the Kinston polyester POY assets from INVISTA in September 2004. Prior to joining the Company, he was the Director of INVISTA s Dacron® polyester filament business. Before working at INVISTA, Mr. Jasper had held various management positions in operations, technology, sales and business for E.I. du Pont de Nemours and Co. since 1980. He has been a director since September 2007 and is a member of the Board s Executive Committee (Chair). Mr. Jasper brings executive decision making skills, operating and management experience, expertise in manufacturing operations, sales, business development and direct textile industry business acumen to the Company as a result of his professional experiences. These experiences and Mr. Jasper s on-going leadership of the Company and interaction with the Company s customers and suppliers provide the Board with, among other things, a detailed understanding of the Company s businesses and the competitive environment in which it operates.

KENNETH G. LANGONE (76) *Mr. Langone has been the President and Chief Executive Officer of Invemed Associates, LLC, an investment banking firm, New York, New York, since 1974*. Mr. Langone is also a director of YUM! Brands, Inc. and serves as a director, Executive Chairman and Chief Executive Officer of Geeknet, Inc. Mr. Langone was a founder of the Home Depot, Inc. and served as a director from 1978 to 2008. He also served as a director of ChoicePoint, Inc. from 2002 to 2008 and of General Electric Co. from 1999 to 2005. Mr. Langone has been a director of the Company since 1969, and is a member of the Board s Corporate Governance and Nominating Committee. Mr. Langone brings operating and management experience, including as chief executive officer of a financial services business, expertise in finance, and public company directorship and committee experience to the Company as a result of his professional experiences. In addition, Mr. Langone s service on the Company s Board since 1969 provides the Board with a valuable historical perspective through which it can contextualize and direct the Company s performance and strategic planning.

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GEORGE R. PERKINS, JR. (71) *Mr. Perkins is the retired Chairman of the Board and the former Chief Executive Officer of Frontier Spinning Mills, Inc., a company that he founded in 1996 and in which he served in these roles until 2009.* Prior to founding Frontier, Mr. Perkins served from 1993 to 1996 as President of the spun yarns division of the Company and was a member of the Board. Mr. Perkins has served as a director of First BanCorp since 2006. He has been a director of the Company since August 2007, and is a member of the Board s Corporate Governance and Nominating Committee. Mr. Perkins brings executive decision making skills, operating and management experience, and business development acumen to the Company as a result of his professional experiences. In addition, his deep understanding of the cotton business assists the Board in analyzing the Company s businesses. These experiences provide the Board with, among other things, specific industry expertise important for an understanding of the Company s businesses and operations.

SUZANNE M. PRESENT (52) *Ms. Present is a co-founder and has been a principal of Gladwyne Partners, LLC, a private partnership fund manager, since June 1998.* Ms. Present currently serves on the boards of directors of The Electric Sheep Company, Inc., a privately-held developer of content and technologies for virtual worlds; and Anshe Chung Studios, Limited, a privately-held Chinese-based developer of content for virtual worlds. She served on the board of directors of Geeknet, Inc. from September 2008 to July 2010. She has been a director of the Company since February 10, 2011 and is a member of the Board s Audit Committee (Chair). Ms. Present serves as an Audit Committee financial expert. Through her experiences at Gladwyne Partners and service on various boards of directors, Ms. Present brings financial expertise important to the oversight of the Company s audit functions and business strategies.

WILLIAM M. SAMS (73) *Mr. Sams was the President and Chief Investment Officer of FPA Paramount Fund, Inc., as well as the Executive Vice President of both First Pacific Advisors, Inc. and FPA Perennial Fund, Inc. from 1981 until he retired in 2000.* Mr. Sams has been a General Partner of Marlin Sams Fund since April 2008 and has served as a director of America s Car-Mart, Inc. and a member of its audit committee since March 2005. He has been a director of the Company since April 2007, is a member of the Board s Audit Committee and previously served as independent Lead Director of the Board from April 2007 until April 2011. Mr. Sams brings expertise in finance, public company directorship and committee experience to the Company as a result of his professional experiences. In addition, his tenure at First Pacific Advisors, Inc. and FPA Perennial Fund, Inc. in particular bring the Board a valuable perspective regarding executive decision making and business development important to the oversight of the Company s implementation of its business and financial goals.

G. ALFRED WEBSTER (63) *Mr. Webster was an Executive Vice President of the Company, and had been an officer of the Company from 1979 through his retirement in 2003, and a director from 1986 until October 2004.* Mr. Webster is a director and Chairman of the Compensation Committee of New Bridge Bank Corporation (formerly Lexington State Bank). Mr. Webster again became a director of the Company in August 2007, has served as the independent Lead Director of the Board since April 2011, and is a member of the Board s Compensation Committee (Chair), Corporate Governance and Nominating Committee (Chair), and Executive Committee. Mr. Webster brings executive decision making skills, operating and management experience, and experience in public company directorship and committee experience, as well as direct textile industry business acumen to the Company as a result of his professional experiences. In addition, Mr. Webster s long tenure with the Company provides the Board with a valuable historical perspective on the Company. These experiences provide the Board with, among other things, industry expertise relevant to the oversight of the Company s businesses.

MITCHEL WEINBERGER (42) *Mr. Weinberger has served as the President and Chief Operating Officer of Dillon Yarn Corporation since March 2011.* He was the Executive Vice President of Dillon from January 2007 to March 2011 and its Strategic Marketing Manager from 1992 to November 2007. The polyester and nylon texturing operations of Dillon were purchased by the Company on January 1, 2007, as discussed in more detail below under Transactions with Related Parties, Promoters and Certain Control Persons Transactions with Dillon Yarn Corporation . He has been a director of the Company since March 9, 2011. Through his executive leadership experience at Dillon, Mr. Weinberger brings to the Board a solid understanding of the textile industry in which the Company operates as well as operating and management experience. These experiences provide the Board with, among other things, industry expertise important to the oversight of the Company s management and execution of its business plans.

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

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

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REPORT OF THE COMPENSATION COMMITTEE

ON EXECUTIVE COMPENSATION

The following is a report of the Compensation Committee describing the compensation policies applicable to the Company s executive officers during the fiscal year ended June 26, 2011. The current members of the Compensation Committee are G. Alfred Webster, who is the Committee Chair, William J. Armfield, IV and Archibald Cox, Jr. All of the members of the Compensation Committee are independent.

Compensation Discussion and Analysis

The Compensation Committee has reviewed and discussed the Company s Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company s Proxy Statement on Schedule 14A for its 2011 Annual Meeting, which is incorporated by reference in the Company s Annual Report on Form 10-K for the fiscal year ended June 26, 2011, each as filed with the SEC.

Submitted by the Compensation Committee of the Board:

G. Alfred Webster, Chairman

William J. Armfield, IV

Archibald Cox, Jr.

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COMPENSATION DISCUSSION AND ANALYSIS

The purpose of the Compensation Discussion and Analysis is to explain the process the Compensation Committee uses to determine compensation and benefits for our named executive officers (NEOs) for fiscal 2011. The Compensation Committee has designed a compensation program that is straightforward and driven by a few key principles and objectives, with pay for performance being the most significant structural element of the program. The compensation package awarded to each NEO consists primarily of a base salary, annual incentive compensation, long-term incentive compensation and other personal benefits.

Our five NEOs are:

William L. Jasper	Chairman and Chief Executive Officer
R. Roger Berrier, Jr.	President and Chief Operating Officer
Ronald L. Smith	Vice President and Chief Financial Officer
Thomas H. Caudle, Jr.	Vice President, Manufacturing
Charles F. McCoy	Vice President, Secretary, General Counsel and Chief Risk, Governance and Compliance Officer

Executive Summary

Despite the challenging global economic and regulatory environment, the Company delivered strong financial results in fiscal 2011. The Company reported net income for fiscal 2011 of $25.1 million, or $1.25 per share, an increase from $10.7 million, or $0.53 per share, for fiscal 2010. The Company also generated a $90 million, or 14 percent, increase in net sales to $713 million for fiscal 2011, as the Company increased prices to cover higher raw material costs, improved market share in key segments, increased sales of its premier value added products and grew volume in its operations in Central America and China. As a result of the Company s performance during fiscal 2011, the Company achieved 101% of its adjusted EBITDA target of $60 million.

Based on this comprehensive performance assessment, and combined with a review of the economic environment and competitive trends, the Compensation Committee made the following decisions for our NEOs:

- Base salaries remained unchanged for fiscal 2011, except for Mr. Berrier, whose salary increased due to his new role as President and Chief Operating Officer.

- Fiscal 2011 annual cash incentives to NEOs were paid at 101% of target levels, corresponding to a cash bonus of 52.5% of each NEO s base salary.

- The Compensation Committee determined not to grant any long-term incentive awards in fiscal 2011.

During fiscal 2011, in addition to his role as Chief Executive Officer (CEO), the Board appointed Mr. Jasper as Chairman of the Board. For fiscal 2011, Mr. Jasper received total compensation of $1,059,893, primarily driven by strong Company and individual performance in fiscal 2011. Mr. Jasper s total compensation reflects the role he plays in establishing the Company s strategic agenda and long-range plan, meeting the challenges that arise in the day-to-day operations of a company as large and diverse as the Company and leading the Company in a challenging global economic and regulatory environment. Although his compensation is determined using the same methodology as used for each of the other NEOs, Mr. Jasper s compensation is higher than the compensation paid to any of the other NEOs as his responsibilities and obligations at the Company are greater than those of any of the other NEOs.

During fiscal 2011, the Board appointed Mr. Berrier as President and Chief Operating Officer. For fiscal 2011, Mr. Berrier received total compensation of $645,606. Mr. Berrier s base salary was increased from fiscal 2010 primarily due to his new roles at the Company, and his total compensation reflects the role he plays in overseeing the business, affairs and property of the Company, management and execution of the Company s strategic goals, and general supervision over the Company s day-to-day operations and its employees.

Each of the other NEOs received total compensation in fiscal 2011 as follows: Mr. Smith, $552,439, Mr. Caudle, $499,848 and Mr. McCoy, $496,274. The compensation paid to these NEOs reflects the relative performances of the Company or segments of the business for which these officers were responsible during fiscal 2011, as well as individual performance.

During fiscal 2011, the Compensation Committee made minimal changes to the compensation programs. Minor adjustments were made to the annual bonus plan and target amounts to address the economic environment and projected performance. No changes were made to the overall design of the long-term incentive plan.

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Compensation Philosophy, Principles and Policies

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

In establishing compensation for the NEOs, the following are the Compensation Committee s objectives:

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

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

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

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

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

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Overview of Compensation Components

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

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

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

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Operation of the Compensation Committee

As described elsewhere in this Proxy Statement, the Compensation Committee is responsible for the administration and overall structure of the Company s executive compensation program. During fiscal 2011, the Compensation Committee was composed of four members until April 2011, and three members after April 2011, all of whom were independent directors in accordance with the independence requirements of the NYSE Corporate Governance Standards. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of each NEO, evaluates each NEO s performance in light of these goals and objectives with input from the Company s CEO, and sets each NEO s compensation level based on this evaluation and consultation. The Compensation Committee also advises senior management with respect to the range of compensation to be paid to other employees of the Company, administers and makes recommendations to the Board concerning benefit plans for the Company s directors, officers and employees and recommends benefit programs and future objectives and goals for the Company. For more information on the operation of the Compensation Committee, please refer to Committees of the Board of Directors below.

In late fiscal 2011, the Compensation Committee reviewed a report prepared by a compensation consultant, Towers Watson, concerning the market for executive compensation. The Compensation Committee plans to utilize this information for fiscal 2012 but did not use this information in setting compensation for fiscal 2011. For fiscal 2011 the Compensation Committee relied on compensation information from the prior year. The Compensation Committee continued to consider factors including the historical practices of the Company, the officer s leadership and advancement of the Company s long-term strategy, plans and objectives, individual performance and contribution to the Company s success, budget guidelines and assessment of the Company s financial condition. Additionally, the Compensation Committee considered the Company s operating results and adjusted EBITDA (described below), the bonuses paid to salaried employees for fiscal 2010, and the current economic climate. Based on these factors, the Compensation Committee set executive compensation for fiscal 2011.

Elements of Compensation

Base Salaries

NEOs base salaries are determined based on the historical practices of the Company, the officer s leadership and advancement of the Company s long-term strategy, plans and objectives, individual performance and contribution to the Company s success, budget guidelines and assessment of the Company s financial condition. It is the intent of the Compensation Committee to maintain a close relationship between the Company s performance and the base salary component of the compensation for each NEO. No formula based salary increases were provided to the NEOs during fiscal 2011.

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

During fiscal 2011, Mr. Berrier s base salary was increased to $410,000, an increase from his fiscal 2010 base salary of approximately 14%, based on his undertaking the new roles as President and Chief Operating Officer. For fiscal 2011 the base salaries for Messrs. Jasper, Smith, Caudle and McCoy were not increased.

Annual Incentive Compensation

The Company structures its annual incentive compensation, in the form of a bonus, to reward its NEOs based on the Company s fiscal year performance. All NEOs are eligible to earn a bonus which is a predetermined percentage of their base salary (called target bonus). These targets are set by the Compensation Committee and have a minimum (threshold) achievement level.

For fiscal 2011, the Compensation Committee established a target of $60 million of annual adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, adjusted to exclude certain items such as restructuring charges, startup costs, non-cash compensation expense net of distributions, gains or losses on extinguishment of debt, gains and losses on sales of property, plant and equipment, currency and derivative gains or losses, impairment of long-lived assets, other non-operating expense, and gain from sale of nitrogen credits). The Company s adjusted EBITDA is a measure of cash flow generated by the Company s business. The Compensation Committee uses adjusted EBITDA as a measure of Company performance because the Compensation Committee believes it provides a clear indicator of cash generation. Although the Compensation Committee previously used a combination of adjusted EBITDA and earnings from 50% or more owned equity affiliates for purposes of the fiscal 2010 target, at its meeting in July 2010 the Compensation Committee recognized that 50% or more owned equity affiliates would not play the increased role in driving the success of the business as was previously thought. As a result, the Compensation Committee revised its view concerning the best indicator of Company performance, and returned to the use of adjusted EBITDA for fiscal 2011.

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The annual incentive bonus awarded to NEOs may be increased or decreased by the Compensation Committee as a result of the individual s performance and/or contribution to Company achievement of financial objectives. Each NEO s performance, including the CEO, is evaluated against specific financial goals prior to payment of bonuses, and the final bonus payment may be adjusted relative to the achievement of those goals. The performance criteria in the annual incentive bonus program may be adjusted by either the Compensation Committee or the Board to account for unusual events, such as extraordinary transactions, asset dispositions and purchases, and merger and acquisitions if, and to the extent, either the Compensation Committee or the Board considers the effect of such events indicative of the Company s performance. Additionally, the Compensation Committee or the Board has the discretion to award additional bonus compensation even if the executive officer would not be entitled to any bonus based on the targets previously determined. As mentioned above, the specific financial goals for fiscal 2011 were based on adjusted EBITDA.

Each NEO s annual incentive compensation for fiscal 2011 was based entirely upon the Company s achievement of the adjusted EBITDA target, and each NEO s target bonus upon the Company s achievement of the adjusted EBITDA target was set at 50% of his annual base salary, up to a maximum of 100% of his annual base salary. Each NEO s bonus would be adjusted on a pro rata basis upward or downward, such that an NEO would receive a bonus equal to 100% of his base salary if the Company achieved 120% of the adjusted EBITDA target, or a bonus equal to 25% of his base salary if the Company achieved 80% of its adjusted EBITDA target. The NEO would not be entitled to a bonus if the Company achieved less than 80% of its adjusted EBITDA target. As a result of the Company s performance during fiscal 2011, the Company achieved 101% of its adjusted EBITDA target, and thus all NEOs were entitled to bonus compensation equal to 52.5% of their base salary.

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

Long-Term Incentive Compensation

Equity Incentives. The Compensation Committee believes that stock-based performance compensation is essential in aligning the interests of management and the Shareholders in enhancing the long-term value of the Company s equity. The 2008 Unifi, Inc. Long-Term Incentive Plan (the 2008 Plan) provides for the issuance to the Company s officers and employees of shares of incentive stock options, non-qualified stock options, restricted stock awards and performance-based awards for the Company s Common Stock. These awards are granted to the Company s executive officers and other employees both to build the value of the Company, and to retain key individuals. Stock options provide incentive for the creation of Shareholder value over the long term since the full benefit of an executive officer s compensation package cannot be realized unless the Common Stock appreciates in value during the term of the option. Restricted stock awards are available to be granted from time to time to executive officers, primarily for purposes of retention. Restricted stock awards may be in the form of a grant of restricted stock or of restricted stock units. Restricted stock is subject to forfeiture and may not be disposed of by the recipient until certain restrictions established by the Compensation Committee have lapsed. Restricted stock units represent the right to receive shares of Common Stock and are generally subject to vesting conditions, subject to forfeiture and may not be disposed of by the recipient until certain restrictions established by the Compensation Committee have lapsed. Generally the Compensation Committee believes that granting stock options and restricted stock awards can be an effective tool for meeting the Company s compensation goal of increasing long-term Shareholder value by tying the value of the executive s performance compensation to the Company s Common Stock performance. Employees are able to profit from stock options only if the Company s stock price increases in value over the stock option s exercise price. Recipients of restricted stock awards are not required to provide consideration other than the rendering of their services.