

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 24, 2001 -- COMMISSION FILE NUMBER 1-10542

UNIFI, INC.

(Exact name of registrant as specified in its charter)

NEW YORK
(State or other jurisdiction of
incorporation or organization)

11-2165495
(I.R.S. Employer
Identification No.)

7201 WEST FRIENDLY AVENUE
GREENSBORO, NORTH CAROLINA
(Address of principal executive offices)

27410
(Zip code)

(Registrant's telephone no., including area code): (336) 294-4410

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 September 4, 2001 based on a closing price of \$9.98 per share: \$495,884,783.

Number of shares outstanding as of September 4, 2001: 53,811,533

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 25, 2001, are incorporated by reference into Part III.

Exhibits, Financial Statement Schedules and Reports on Form 8-K index is located on pages 42 through 44.

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, sock and other end use markets. See the Consolidated Financial Statements Footnote 2 ("Acquisitions, Alliances and Divestures") on pages 26 and 27 and Consolidated Financial Statements Footnote 11 ("Investment in Unconsolidated Affiliates") on pages 35 and 36 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.

SOURCES AND AVAILABILITY OF RAW MATERIALS

Effective June 1, 2000, Unifi and E. I. DuPont de Nemours and Company ("DuPont"), began operating their America's manufacturing alliance (the "Alliance") to produce polyester filament yarn. The objective of the Alliance is to reduce operating costs through collectively planning and operating both companies' POY facilities as a single production unit, although Unifi and DuPont continue to own their respective manufacturing facilities. Unifi's manufacturing facility is located in Yadkinville, North Carolina and DuPont's remaining facility is in Kinston, North Carolina. The resulting asset optimization, along with the sharing of manufacturing technologies, are intended to result in significant quality and yield improvements and product innovations. See the Consolidated Financial Statements Footnote 2 ("Acquisitions, Alliances and Divestures") on pages 26 and 27 for further information.

The primary third party suppliers of POY to the Company's polyester segment are DuPont, Nanya Plastics Corp. of America ("Nanya"), Kosa (formerly Hoechst Celanese Corporation), Wellman Industries, Reliance Industries, Ltd. and Korteks. The majority of the Company POY for domestic use is produced by the Alliance. In addition, the Company has a polyester POY manufacturing facility 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 POY manufactured in Yadkinville are supplied by Nanya for domestic production and by DuPont and Bayer AG for our Irish operation.

On September 27, 2000, Unifi and Nilit Ltd., located in Israel formed a 50/50 joint venture called U.N.F. Industries Ltd. (U.N.F.). The joint venture will produce approximately 25.0 million pounds of nylon POY at Nilit's manufacturing facility in Migdal Ha - Emek, Israel. Production and shipping of POY from this facility began in March 2001. The nylon POY will be utilized in the Company's nylon texturing and covering operations. The primary suppliers of

POY to the Company's nylon segment are DuPont, Universal Premier Fibers LLC (formerly Cookson Fibers, Inc.), Nilit, Ltd., and U.N.F. Industries with the majority of the Company's nylon POY being supplied by DuPont and U.N.F. Industries.

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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 or nylon 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 24, 2001, sold its polyester yarns to approximately 1,350 customers and its nylon yarns to approximately 190 customers, one customer's purchases comprised approximately 11% of net sales for the polyester segment during said period, while another customer comprised approximately 16% 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 active employees of the Company is approximately 5,400.

Financial Information About Segments: See the Consolidated Financial Statements Footnote 9 ("Business Segments, Foreign Operations and Concentrations of Credit Risk") on pages 31 through 34 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, one warehousing and one office building in Brazil and one manufacturing and administration building in Manchester, England. All of these facilities, which contain approximately 8.1 million square feet of floor space are owned in fee simple, with the exception of two United States plants, one of which is leased from Bank of America Leasing and Capital LLC pursuant to a Sales-leaseback Agreement entered on May 20, 1997, as amended, the second of which is leased pursuant to a lease agreement entered into with Glen Raven, two warehouses in Carrickfergus, Ireland, the office in Brazil and the plant and office location in Manchester, England; 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 17 manufacturing, six warehousing and one dedicated office totaling 5.4 million square feet. The nylon segment of the Company's business utilizes four manufacturing and four warehousing facilities aggregating 2.7 million square feet.

Unifi Technology Group, LLC. ("UTG") leases 5 office locations in three states from which it conducts business utilizing approximately 35,000 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 31 of this Report. The Company also leases two manufacturing facilities to others, one of which is affiliated with the Company as a joint venture.

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 24, 2001.

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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 closing prices of Unifi's Common Stock as reported on the NYSE Composite Tape.

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 September 4, 2001, there were 712 holders of record of the Company's common stock.

	HIGH	LOW
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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
Fiscal year 2001:		
First quarter ended September 24, 2000.....	\$13.38	\$10.31
Second quarter ended December 24, 2000.....	\$10.38	\$ 7.13
Third quarter ended March 25, 2001.....	\$ 9.31	\$ 6.25
Fourth quarter ended June 24, 2001.....	\$ 8.33	\$ 5.65

ITEM 6. SELECTED FINANCIAL DATA

	JUNE 24, 2001 (52 WEEKS)	JUNE 25, 2000 (52 WEEKS)	JUNE 27, 1999 (52 WEEKS)	JUNE 28, 1998 (52 WEEKS)	JUNE 29, 1997 (52 WEEKS)
	-----	-----	-----	-----	-----
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)				
Summary of Operations:					
Net sales.....	\$1,131,157	\$1,291,435	\$1,262,278	\$1,390,497	\$1,716,215
Cost of sales.....	1,034,044	1,127,864	1,087,728	1,162,726	1,484,956
Gross profit.....	97,113	163,571	174,550	227,771	231,259
Selling, general and administrative expense.....	62,786	58,063	55,338	43,277	46,229
Provision for bad debts.....	8,697	8,694	1,129	724	750
Interest expense.....	30,123	30,294	27,459	16,598	11,749
Interest income.....	(2,549)	(2,772)	(2,399)	(1,869)	(2,219)
Other (income) expense.....	7,582	1,052	440	(335)	69
Equity in (earnings) losses of unconsolidated affiliates.....	(2,930)	2,989	(4,214)	(23,030)	399
Minority interest.....	2,590	9,543	9,401	723	--
Alliance plant closure costs.....	15,000	--	--	--	--
Asset impairments and write downs.....	24,541	--	--	--	--
Employee severance and related charges.....	7,545	--	--	--	--
Income (loss) from continuing operations before income taxes and cumulative effect of accounting change.....	(56,272)	55,708	87,396	191,683	174,282
Provision (benefit) for income taxes.....	(11,598)	17,675	28,369	62,782	58,617
Income (loss) before cumulative effect of accounting change.....	(44,674)	38,033	59,027	128,901	115,665
Cumulative effect of accounting change, net of tax.....	--	--	2,768	4,636	--
Net income (loss).....	\$ (44,674)	\$ 38,033	\$ 56,259	\$ 124,265	\$ 115,665
Per Share of Common Stock:					
Income (loss) before cumulative effect of accounting change (diluted).....	\$ (.83)	\$.65	\$.97	\$ 2.08	\$ 1.81
Cumulative effect of accounting change (diluted).....	--	--	(.04)	(.07)	--
Net income (loss) (diluted)...	\$ (.83)	\$.65	\$.93	\$ 2.01	\$ 1.81
Cash Dividends.....	\$ --	\$ --	\$ --	\$.56	\$.44
Financial Data:					

Working capital.....	\$ 63,708	\$ 15,604	\$ 216,897	\$ 209,878	\$ 216,145
Gross property, plant and equipment.....	1,209,927	1,250,470	1,231,013	1,145,622	1,147,148
Total assets.....	1,137,319	1,354,764	1,365,840	1,333,814	1,018,703
Long-term debt and other obligations.....	259,188	261,830	478,898	458,977	255,799
Shareholders' equity.....	540,543	622,438	646,138	636,197	548,531

Fiscal year 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 years presented thereafter.

Fiscal years 1997 through 2000 net sales and cost of sales have been restated to reflect the reclassification of freight expense from net sales to cost of sales to conform with the current year presentation.

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 as this facility was scheduled to mature in April 2001. This line of credit was subsequently refinanced in December 2000.

The working capital and long-term debt and other liabilities line items at June 24, 2001, reflect the classification of the outstanding balance under the revolving line of credit of \$6.5 million and the accounts receivables securitization of \$70.1 million as current liabilities, pending renegotiation or refinancing of these obligations, which is expected to occur by October 31, 2001.

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

FISCAL 2001

Following is a summary of operating income by segment for fiscal years 2001 and 2000, as reported regularly to the Company's management:

	POLYESTER	NYLON	ALL OTHER	TOTAL
	-----	-----	-----	-----
	(AMOUNTS IN THOUSANDS)			
Fiscal 2001				
Net sales.....	\$791,232	\$315,114	\$33,270	\$1,139,616
Cost of sales.....	725,351	293,090	21,767	1,040,208
Selling, general and administrative.....	37,451	14,632	13,362	65,445
Segment operating income (loss).....	\$ 28,430	\$ 7,392	\$(1,859)	\$ 33,963
	=====	=====	=====	=====
Fiscal 2000				
Net sales.....	\$861,865	\$409,841	\$31,917	\$1,303,623
Cost of sales.....	757,580	353,739	21,024	1,132,343
Selling, general and administrative.....	37,713	15,103	9,952	62,768
Segment operating income.....	\$ 66,572	\$ 40,999	\$ 941	\$ 108,512
	=====	=====	=====	=====

As described in Consolidated Financial Statements Footnote 9 ("Business Segments, Foreign Operations and Concentrations of Credit Risk"), 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. The fiscal year 2000 net sales and cost of sales have been reclassified to conform with the current year

presentation. See Consolidated Financial Statements Footnote 1 ("Recent Accounting Pronouncements") for further discussion.

Polyester Operations

In fiscal 2001, polyester net sales decreased \$70.6 million, or 8.2% compared to fiscal 2000. The decrease from fiscal year 2000 is primarily attributable to reduced volumes both in the United States and internationally. The importation of fabric and apparel has eroded our customers' business and the slowing economy has prompted our customers to reduce inventories in response to lower retail orders. Unit prices, based on product mix, were favorable to the prior year. However, volumes were down approximately 10% from fiscal 2000 to fiscal 2001. Sales volume for all of our international polyester operations was down in fiscal 2001 compared to fiscal 2000, with the exception of our European dyeing operation acquired in the fourth quarter of the prior year. The currency exchange rate change from the prior year to the current year adversely effected sales translated to U.S. dollars for our Irish and Brazilian operations.

Gross profit on sales for our polyester operations declined \$38.4 million over fiscal year 2000. Gross margin (gross profit as a percentage of net sales) declined from 12.1% in fiscal year 2000 to 8.3% in fiscal year 2001. Gross margin in fiscal 2001 declined primarily as a function of higher per unit raw material prices and fixed manufacturing costs relative to a lower sales base.

Selling, general and administrative expenses for this segment declined \$0.3 million from 2000 to 2001. This decrease was accomplished mainly due to the cost cutting initiatives implemented at the end of the third quarter and were achieved despite having only three months of selling, general and administrative expenses for our European dye-house in the prior year.

Nylon Operations

Nylon net sales decreased \$94.7 million, or 23.1% in fiscal 2001 compared to fiscal 2000. Unit volumes for fiscal 2001 decreased by 15.2%, while average sales prices, based on product mix, decreased 9.2%. The

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reductions in sales volume and price are primarily attributable to the continuing softness of the ladies hosiery market, a slow down in seamless apparel and the sluggishness of the economy in general.

Nylon gross profit decreased \$34.1 million and gross margin decreased from 13.7% in 2000 to 7.0% in 2001. This was primarily attributable to the lower sales volumes and prices and higher per unit fixed manufacturing costs, offset, in part, by lower average fiber prices per pound.

Selling, general and administrative expense for the nylon segment decreased \$0.5 million in fiscal 2001. This reduction is due mainly to the cost cutting initiatives implemented at the end of the third fiscal quarter.

All Other

The "All Other" segment primarily reflects the Company's majority owned subsidiary, UTG established in May 1999. UTG is a domestic automation solutions provider. This entity was in place for effectively the entire 2001 fiscal year, however the consulting portion of this business was sold at the end of the reporting period. The higher selling, general and administrative expenses in the current year reflect additional costs incurred in early terminating certain office leases in the second fiscal quarter. The remaining UTG operations are now conducting business under the name Cimtec Automation, Inc. and involve the sale and repair of certain computer hardware.

Consolidated Operations

For the year ended June 24, 2001, the Company recorded an \$8.7 million

provision for bad debts in response to continued difficult industry conditions. This amount is consistent with that recorded in the prior year.

Interest expense decreased slightly from \$30.3 million in fiscal 2000 to \$30.1 million in fiscal 2001. The weighted average interest rate of our debt outstanding at June 24, 2001 was 6.6%. Interest income remained consistent between 2001 and 2000.

Other expense increased from \$1.1 million in 2000 to \$7.6 million in 2001. This loss for 2001 includes \$9.5 million in losses for foreign currency related transactions including a loss of \$4.7 million on foreign currency derivative contracts denominated in Euro for which hedge accounting was terminated upon the cancellation of the proposed project. These losses were offset, in part, by amounts recovered for an insurance claim, a government grant program associated with a start-up operation and a duty-drawback claim associated with prior periods.

Earnings (losses) from our equity affiliates, Parkdale America, LLC. (the "LLC"), Micell Technologies, Inc. ("Micell"), UNIFI-SANS Technical Fibers, LLC ("UNIFI-SANS") and U.N.F. Industries, Ltd. ("U.N.F.") totaled \$2.9 million in fiscal 2001 compared with \$(3.0) million in fiscal 2000. The increase in earnings is primarily attributable to improved earnings of the LLC and the recognition of reduced losses for Micell.

Minority interest expense for fiscal 2001 was \$2.6 million compared to \$9.5 million in the prior year. This charge primarily relates to the minority interest share of the earnings of Unifi Textured Polyester, LLC ("UTP") 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, Burlington is entitled to receive the first \$9.4 million of earnings and the first \$12.0 million in excess cash flows generated by this business. After the first five years, earnings and cash flows of UTP will be allocated based on ownership percentages.

In the fourth quarter of the current fiscal year, the Company recorded its share of the anticipated costs of closing DuPont's Cape Fear, North Carolina facility, one of DuPont's facilities involved in the manufacturing alliance (the "Alliance") between DuPont and Unifi. The Alliance was formed to integrate each company's polyester partially oriented yarn (POY) manufacturing facilities into a single production unit and is expected to enable each company to match production with the best assets available, significantly improving product quality and yields. On April 4, 2001, DuPont shut its Cape Fear POY facility allowing for the acceleration of

the benefits of the Alliance by shutting down older filament manufacturing operations and transferring production to lower cost, more modern and flexible assets. As a result of DuPont shutting down the Cape Fear facility, the Company recognized a \$15.0 million charge for its 50% share of the severance and costs to dismantle the facility. Unifi's share of the cost to close this facility will be paid over the eighteen-month period commencing July 2001 and ending December 2002. Subsequent to the shut down, the Company will receive from DuPont cash distributions for its 50% share of the cash fixed costs eliminated as a result of the Cape Fear shut down. Additionally, it is expected that the Company will begin realizing other costs savings and synergies from the Alliance.

In the current year, the Company recorded charges of \$7.6 million for severance and employee related costs and \$24.5 million for asset impairments and write-downs. The majority of these charges relate to U.S. and European operations and include plant closings and consolidations, the reorganization of administrative functions and the write down of assets for certain operations determined to be impaired as well as certain non-core businesses that are being held for sale. The plant closing and consolidations of the manufacturing and distribution systems are aimed at improving the overall efficiency and effectiveness of our operations and reducing our fixed cost structure in

response to decreased sales volumes.

The severance and other employee related costs provide for the termination of approximately 750 people who were terminated as a result of these worldwide initiatives and included management, production workers and administrative support located in Ireland, England and in the United States. Notice of the termination was made to all employees prior to March 24, 2001 and substantially all affected personnel were terminated by the end of April 2001. Severance will be paid in accordance with various plan terms, which vary from lump sum to a payout over a maximum of 21 months ending December 2002. Additionally, this charge includes costs associated with medical and dental benefits for former employees no longer providing services to the Company and provisions for certain consultant agreements for which no future benefit is anticipated.

The charge for impairment and other write-down of assets includes \$18.6 million for the write down of duplicate or less efficient property, plant and equipment to their fair value less disposal cost and the write down of certain non-core assets which are held for sale. It is anticipated that the remaining non-core assets and business will be sold prior to the end of calendar 2001. Additionally, an impairment charge of \$5.9 million was recorded for the write down to fair value of assets, primarily goodwill, associated with the European polyester dyed yarn operation and Colombian nylon covering operation as the undiscounted cash flows of the business were not sufficient to cover the carrying value of these assets. These reviews were prompted by ongoing excess manufacturing capacity issues and lack of competitiveness of these businesses.

The Company recognized a tax benefit in the current year at a 20.6% effective tax rate compared to an effective tax rate on the consolidated provision recorded in fiscal 2000 at 31.7%. The difference between the statutory and effective tax rate in fiscal 2001 is primarily due to the fact that substantially no tax benefit has been recognized on losses sustained by foreign subsidiaries, as the recoverability of such tax benefits through loss carryforward or carryback is not assured.

As a result of the above, the Company realized during the current year a net loss of \$44.7 million, or \$(.83) per diluted share, compared to net income in fiscal year 2000 of \$38.0 million, or \$.65 per diluted share.

Effective June 26, 2000, the Company began accounting for derivative contracts and hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires all derivatives to be recorded on the balance sheet at fair value. There was no cumulative effect adjustment of adopting this accounting standard. 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 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. The Company does not enter into derivative financial instruments for trading purposes.

The Company has a risk management policy that authorizes certain designated individuals to enter into derivative contracts to mitigate economic and accounting risk associated with currency and interest rate exposures in the ordinary course of business. This policy permits the use of forward currency purchase or sales contracts associated with the anticipated collection of accounts receivable on foreign denominated sales and the purchase or sale of assets in foreign currencies. This policy also allows the use of those derivative instruments that hedge the Company's interest rate exposures associated with fixed or floating rate debt. Any derivative contract authorized by this risk management policy with notional amounts in excess of \$1 million requires the specific approval of the Chief Financial Officer. In no circumstances does the policy permit entering into derivative contracts for speculative purposes.

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 or anticipated 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 for purchase transactions the Company is firmly committed. For anticipated purchase transactions, gains or losses on hedge contracts are accumulated in Other Comprehensive Income (Loss) and periodically evaluated to assess hedge effectiveness. In the current year, the Company recorded and subsequently wrote off approximately \$4.7 million of accumulated losses on hedge contracts associated with the anticipated purchase of machinery that was later canceled. The contracts outstanding for anticipated purchase commitments that were subsequently canceled were unwound by entering into sales contracts with identical remaining maturities and contract values. These purchase and sales contracts continue to be marked to market with offsetting gain and losses. The latest maturity for all outstanding purchase and sales foreign currency forward contracts are October 15, 2001 and March 21, 2002, respectively.

In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). SFAS 140 replaces Statement of Financial Accounting Standards No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 125). SFAS 140 revises the standards for accounting and for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of SFAS 125's provisions. SFAS 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on a financial-components approach that focuses on control. This standard is applied prospectively and was effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of this standard did not have any effect on the Company's results of operation or financial position.

In September 2000, the Emerging Issues Task Force (EITF) issued EITF Abstract 00-10 "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 requires that any amounts billed to a customer for a sales transaction related to shipping or handling should be classified as revenues. Costs associated with providing this service is an accounting policy disclosure and a company may adopt a policy of including such costs in their cost of sales line item. The Company was required to adopt EITF 00-10 in the fourth quarter of fiscal year 2001. The Company historically has included revenues earned for shipping and handling in the net

sales line item in the Consolidated Results of Operations. Costs to provide this service were either historically included in net sales, for shipping costs, or in cost of sales, for handling expenses. Upon the adoption of EITF 00-10 the Company has reclassified the presentation of shipping costs from net sales to cost of sales and has restated all prior periods to conform with the current year format. Adopting EITF 00-10 had no impact on the Company's results of operations or financial position.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," (SFAS 141) and No. 142 "Goodwill and Other Intangible Assets (SFAS 142)." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited after this date. SFAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination completed after June 30, 2001.

SFAS 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually, or more frequently under certain conditions, for impairment in accordance with this standard. This impairment test uses a fair value approach rather than the undiscounted cash flows approach previously required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of (SFAS 121)." The amortization of goodwill included in investments in equity investees will also no longer be recorded upon adoption of the new rules. Intangible assets that do not have indefinite lives will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS 121. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company anticipates that it will apply the new accounting rules beginning June 25, 2001. The Company is currently assessing the financial impact SFAS 141 and 142 will have on the consolidated financial statements. In fiscal 2001, the amortization expense associated with remaining goodwill approximated \$3.3 million.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS 143). This standard applies to all entities and addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Additionally, any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not yet assessed the financial impact that adopting SFAS 143 will have on the consolidated financial statements.

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. Note that polyester and nylon segment net sales and cost of sales amounts and certain associated dollar and percent changes between fiscal years have been restated to conform with current year presentation.

POLYESTER	NYLON	ALL OTHER	TOTAL
-----	-----	-----	-----
(AMOUNTS IN THOUSANDS)			

Fiscal 2000				
Net sales.....	\$861,865	\$409,841	\$31,917	\$1,303,623
Cost of sales.....	757,580	353,739	21,024	1,132,343
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.....	\$832,642	\$450,248	\$ 1,561	\$1,284,451
Cost of sales.....	729,414	386,011	1,090	1,116,515
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 ("Business Segments, Foreign Operations and Concentrations of Credit Risk"), 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 \$29.2 million, or 3.5% 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 12.4% in fiscal year 1999 to 12.1% 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 raw material prices. Offsetting the effects of higher raw material 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 administrative 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 \$40.4 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.

All Other

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 fiscal year 2000, 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 fiscal year 2000 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"), net of related amortization, 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 LLC ("UTP") 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, Burlington is entitled to receive the first \$9.4 million in earnings and the first \$12.0 in excess cash flows generated by the business. After the first five years, earnings and cash flows of UTP will be allocated based on ownership percentages.

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 reversal of previously established reserves due to 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 fiscal year 2000 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.

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 compliments 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.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be a primary source of funds to finance operating needs and long-term investment requirements, including capital expenditures. Cash generated from operations was \$151.6 million for fiscal 2001, compared to \$126.5 million for fiscal 2000. The primary sources of cash from operations were reduced receivables and inventories of \$14.2 million and \$17.2 million, respectively, increased payables and accruals of \$3.3 million and non-cash adjustments aggregating \$148.6 million. Depreciation and amortization of \$90.1 million, the provision for doubtful accounts of \$15.0 million, and the non-cash portion of non-recurring charges of \$43.5 million were the primary components of the non-cash adjustments. The current year cash from operations was positively impacted by distributions from unconsolidated equity affiliates of current and prior year earnings of \$26.1 million which exceeded the Company's equity in earnings of unconsolidated subsidiaries by \$23.2 million. Offsetting these sources were the net loss for fiscal year 2001 of \$44.7 million as well as a decrease of income taxes payable of \$10.0 million and a reduction of the

deferred tax liability by \$1.6 million. Working capital changes have been adjusted to exclude the effects of acquisitions and currency translation. Working capital at June 24, 2001, of \$63.7 million reflect the classification of the outstanding balance under the revolving line of credit of \$6.5 million and the accounts receivable securitization of \$70.1 million as current liabilities, pending renegotiation or refinancing of these obligations, which is expected to occur by October 31, 2001, as further discussed in the sixth and seventh following paragraphs.

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The Company utilized \$222 thousand for net investing activities and \$166.4 million for net financing activities during fiscal 2001. Significant expenditures during this period included \$42.3 million for capacity expansions and upgrading of facilities, \$15.5 million for investments in unconsolidated equity affiliates (including U.N.F. and UNIFI-SANS) and \$2.2 million for acquisitions. A significant component of capital expenditures included the remaining construction costs for the Company's Unifi Technical Fabrics nonwoven operation, which was then sold in June 2001. Additionally, \$16.6 million was expended for the purchase and retirement of Company common stock, \$12.0 million for distributions and advances to minority interest shareholders and \$137.4 million for net retirements of long-term debt. The Company obtained \$41.7 million from the sale of capital assets, including \$39.4 million for its non-wovens business and the consulting portion of Unifi Technology Group.

At June 24, 2001, the Company has committed approximately \$20.0 million for capital expenditures during fiscal 2002.

During the March quarter of 2001 Parkdale America LLC (the "LLC"), an unconsolidated equity affiliate of the Company, completed the recapitalization of its balance sheet. Following the completion of this recapitalization, the LLC distributed cash to the Company and Parkdale Mills, Inc. ("Mills") in the amount of \$49.2 million and \$95.5 million, respectively. Of the \$49.2 million remitted to the Company, \$23.5 million represents a distribution of current and prior period earnings and \$25.7 million represents a return of capital. Unifi retained its 34% ownership position and Mills retained its 66% ownership in the LLC following this distribution.

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 nylon texturing and covering operations as 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.

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 1.4 million shares in fiscal year 2001 for a total of \$16.6 million. The Company will continue to operate its stock buy-back program from time to time as it deems appropriate and financially prudent. However, it is anticipated that the Company will not repurchase significant shares in fiscal year 2002 but instead will continue to focus its efforts on the repayment of long-term debt.

Effective December 20, 2000, the Company refinanced their \$400 million credit facility with a new unsecured three year \$250 million revolving bank credit facility. Additionally, the Company entered into a \$100 million trade receivables financing agreement (the "Receivables Agreement") that is secured by its domestic and certain foreign accounts receivable. The Receivables Agreement does not have a stated maturity but is terminable at the option of the Company with a five-day written notice. The Company has classified the \$70.1 million outstanding at June 24, 2001, as a current maturity of long-term debt, pending

renegotiation of the revolving credit facility discussed in the following paragraph, despite the intent of the Company to continue the Receivables Agreement on a long-term basis. Loans under the new credit facility initially bear interest at LIBOR plus .825% and advances under the receivables financing agreement bear interest at the applicable commercial paper rate plus .30%. The weighted average interest rates for the borrowings made from the revolver and the accounts receivable securitization from December 20, 2000 through June 24, 2001 were 6.60% and 5.92%, respectively. As of June 24, 2001, the Company had unused capacity of approximately \$243.5 million under the terms of the new revolving credit facility.

The loans under the new revolving credit facility include financial covenants that required, at June 24, 2001, tangible net worth of \$396.1 million, a maximum leverage ratio of 3.25 and a minimum interest coverage ratio of 2.50. The Company was in default of the interest coverage covenant of the new revolving credit facility at June 24, 2001. As a result, the Company has obtained a waiver through October 31, 2001, which reduced the facility from \$250 million to \$150 million and raised the effective interest rate approximately 2.0%. The

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Company is currently in discussions with the lending group and others to secure a more flexible long-term borrowing arrangement. The outstanding balance of the revolving credit facility of \$6.5 million at June 24, 2001 has been classified as a current maturity of long-term debt. The Company believes that its current financial position as well as its cash flow from operations and available collateral will allow it to refinance the revolving credit facility on acceptable terms.

The current business climate for U.S. based textile manufactures in extremely challenging due to disparate worldwide production capacity and demand. This situation does not appear that it will reverse in the foreseeable future. This highly competitive environment has resulted in a declining market for the Company, domestically and abroad. Consequently, management took certain consolidation and cost reduction actions during the year to align our capacity with current market demands. Management feels confident that a long-term, stable financing arrangement will be negotiated which will continue to enable the Company, in combination with its current financial position, the ability to meet working capital and long-term investment needs and pursue strategic business opportunities.

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," "estimates," 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 capital expenditures and long-term investments (including those related to unforeseen acquisition opportunities), continued availability of financial resources through financing arrangements and operations, negotiations of new or modifications of existing contracts for asset management 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

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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 34 and 35 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 24, 2001, and June 25, 2000, and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended June 24, 2001. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An

audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 24, 2001 and June 25, 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 24, 2001, in conformity with accounting principles generally accepted in the United States. 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

Greensboro, North Carolina
July 19, 2001

CONSOLIDATED BALANCE SHEETS

	JUNE 24, 2001	JUNE 25, 2000
	-----	-----
	(AMOUNTS IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 6,634	\$ 18,778
Receivables.....	171,744	214,001
Inventories.....	124,434	147,640
Other current assets.....	6,882	2,958
	-----	-----
Total current assets.....	309,694	383,377
	-----	-----
Property, plant and equipment:		
Land.....	5,712	5,560
Buildings and air conditioning.....	237,767	239,245
Machinery and equipment.....	821,100	853,553
Other.....	145,348	152,112
	-----	-----
	1,209,927	1,250,470
Less accumulated depreciation.....	647,614	592,083
	-----	-----
	562,313	658,387
Investment in unconsolidated affiliates.....	173,502	208,918
Other noncurrent assets.....	91,810	104,082
	-----	-----
	\$1,137,319	\$1,354,764
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 100,086	\$ 97,875
Accrued expenses.....	59,866	50,160
Income taxes payable.....	72	2,430
Current maturities of long-term debt and other current liabilities.....	85,962	217,308
	-----	-----
Total current liabilities.....	245,986	367,773
	-----	-----
Long-term debt and other liabilities.....	259,188	261,830
	-----	-----
Deferred income taxes.....	80,307	86,046
	-----	-----
Minority interests.....	11,295	16,677
	-----	-----
Shareholders' equity:		
Common stock.....	5,382	5,516
Capital in excess of par value.....	--	--

Retained earnings.....	589,360	649,444
Unearned compensation.....	(1,203)	(1,260)
Accumulated other comprehensive loss.....	(52,996)	(31,262)
	-----	-----
	540,543	622,438
	-----	-----
	\$1,137,319	\$1,354,764
	=====	=====

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net sales.....	\$1,131,157	\$1,291,435	\$1,262,278
Cost of sales.....	1,034,044	1,127,864	1,087,728
Selling, general and administrative expense.....	62,786	58,063	55,338
Provision for bad debts.....	8,697	8,694	1,129
Interest expense.....	30,123	30,294	27,459
Interest income.....	(2,549)	(2,772)	(2,399)
Other (income) expense.....	7,582	1,052	440
Equity in (earnings) losses of unconsolidated affiliates.....	(2,930)	2,989	(4,214)
Minority interest.....	2,590	9,543	9,401
Alliance plant closure costs.....	15,000	--	--
Asset impairments and write downs.....	24,541	--	--
Employee severance and related charges.....	7,545	--	--
	-----	-----	-----
Income (loss) before income taxes and cumulative effect of accounting change.....	(56,272)	55,708	87,396
Provision (benefit) for income taxes.....	(11,598)	17,675	28,369
	-----	-----	-----
Income (loss) before cumulative effect of accounting change.....	(44,674)	38,033	59,027
Cumulative effect of accounting change (net of applicable income taxes of \$1,696 for June 27, 1999).....	--	--	2,768
	-----	-----	-----
Net income (loss).....	\$ (44,674)	\$ 38,033	\$ 56,259
	=====	=====	=====
Earnings (losses) per common share:			
Income (loss) before cumulative effect of accounting change.....	\$ (.83)	\$.65	\$.97
Cumulative effect of accounting change.....	--	--	(.04)
	-----	-----	-----
Net income (loss) per common share.....	\$ (.83)	\$.65	\$.93
	=====	=====	=====
Earnings (losses) per common share -- assuming dilution:			
Income (loss) before cumulative effect of accounting change.....	\$ (.83)	\$.65	\$.97
Cumulative effect of accounting change.....	--	--	(.04)
	-----	-----	-----
Net income (loss) per common share.....	\$ (.83)	\$.65	\$.93
	=====	=====	=====

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 (LOSS)

CAPITAL IN

OTHER

	SHARES OUTSTANDING	COMMON STOCK	EXCESS OF PAR VALUE	RETAINED EARNINGS	UNEARNED COMPENSATION	COMPREHENSIVE INCOME (LOSS)
(AMOUNTS IN THOUSANDS,						
Balance June 28, 1998.....	61,634	\$6,163	\$ 22,454	\$618,128	\$ --	\$ (10,548)
	=====	=====	=====	=====	=====	=====
Purchase of stock....	(2,112)	(211)	(23,092)	(16,034)	--	--
Options exercised....	26	3	651	--	--	--
Currency translation adjustments.....	--	--	--	--	--	(7,635)
Net income.....	--	--	--	56,259	--	--
	-----	-----	-----	-----	-----	-----
Balance June 27, 1999.....	59,548	5,955	13	658,353	--	(18,183)
	=====	=====	=====	=====	=====	=====
Purchase of stock....	(4,462)	(446)	(840)	(47,623)	--	--
Options exercised....	1	--	14	--	--	--
Grantor's trust tax benefit.....	--	--	--	681	--	--
Stock forfeited to satisfy income tax withholding.....	(53)	(5)	(630)	--	--	--
Issuance of restricted stock...	129	12	1,443	--	(1,455)	--
Amortization of restricted stock...	--	--	--	--	195	--
Currency translation adjustments.....	--	--	--	--	--	(13,079)
Net income.....	--	--	--	38,033	--	--
	-----	-----	-----	-----	-----	-----
Balance June 25, 2000.....	55,163	5,516	--	649,444	(1,260)	(31,262)
	=====	=====	=====	=====	=====	=====
Purchase of stock....	(1,436)	(144)	(1,020)	(15,410)	--	--
Issuance of restricted stock...	104	10	1,020	--	(1,030)	--
Amortization of restricted stock...	--	--	--	--	1,087	--
Currency translation adjustments.....	--	--	--	--	--	(21,734)
Net income (loss)....	--	--	--	(44,674)	--	--
	-----	-----	-----	-----	-----	-----
Balance June 24, 2001.....	53,831	\$5,382	\$ --	\$589,360	\$ (1,203)	\$ (52,996)
	=====	=====	=====	=====	=====	=====

	TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME (LOSS) NOTE 1
(AMOUNTS IN THOUSANDS,		
Balance June 28, 1998.....	\$636,197	\$116,406
	=====	=====
Purchase of stock....	(39,337)	--
Options exercised....	654	--
Currency translation adjustments.....	(7,635)	(7,635)
Net income.....	56,259	56,259
	-----	-----
Balance June 27, 1999.....	646,138	48,624
	=====	=====
Purchase of stock....	(48,909)	--
Options exercised....	14	--
Grantor's trust tax benefit.....	681	--
Stock forfeited to satisfy income tax withholding.....	(635)	--
Issuance of restricted stock...	--	--
Amortization of restricted stock...	195	--
Currency translation adjustments.....	(13,079)	(13,079)
Net income.....	38,033	38,033
	-----	-----
Balance June 25, 2000.....	622,438	24,954
	=====	=====
Purchase of stock....	(16,574)	--
Issuance of		

restricted stock...	--	--
Amortization of restricted stock...	1,087	--
Currency translation adjustments.....	(21,734)	(21,734)
Net income (loss)....	(44,674)	(44,674)
	-----	-----
Balance June 24, 2001.....	\$540,543	\$ (66,408)
	=====	=====

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS)		
Cash and cash equivalents at beginning of year.....	\$ 18,778	\$44,433	\$ 8,372
Operating activities:			
Net income (loss).....	(44,674)	38,033	56,259
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change (net of applicable income taxes).....	--	--	2,768
(Earnings) losses of unconsolidated equity affiliates, net of distributions.....	23,204	6,200	5,287
Depreciation.....	81,114	82,750	82,945
Amortization.....	9,035	7,778	6,931
Non-cash portion of non-recurring charges.....	43,478	--	--
Deferred income taxes.....	(1,554)	10,692	4,641
Provision for bad debts and quality claims.....	14,985	14,866	6,241
Other.....	72	2,135	415
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables.....	14,223	(39,257)	28,234
Inventories.....	17,221	(18,088)	16,320
Other current assets.....	1,214	(1,330)	(948)
Payables and accruals.....	3,285	27,118	(13,959)
Income taxes.....	(9,971)	(4,430)	14,697
	-----	-----	-----
Net -- operating activities.....	151,632	126,467	209,831
	-----	-----	-----
Investing activities:			
Capital expenditures.....	(42,337)	(58,609)	(118,846)
Acquisitions.....	(2,159)	(7,953)	(27,112)
Investments in unconsolidated equity affiliates.....	(15,537)	(16,069)	(10,000)
Return of capital from equity affiliates.....	25,743	--	--
Investment of foreign restricted assets.....	(6,770)	--	--
Sale of capital assets.....	41,725	5,637	847
Other.....	(887)	(1,138)	(4,508)
	-----	-----	-----
Net -- investing activities.....	(222)	(78,132)	(159,619)
	-----	-----	-----
Financing activities:			
Borrowing of long-term debt.....	355,009	72,342	97,000
Repayment of long-term debt.....	(492,450)	(81,589)	(61,596)
Issuance of Company stock.....	--	14	654
Purchase and retirement of Company stock.....	(16,574)	(48,909)	(39,337)
Distributions and advances to minority shareholders....	(12,000)	(12,000)	(9,000)
Other.....	(375)	287	249
	-----	-----	-----
Net -- financing activities.....	(166,390)	(69,855)	(12,030)
	-----	-----	-----
Currency translation adjustment.....	2,836	(4,135)	(2,121)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents....	(12,144)	(25,655)	36,061
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 6,634	\$18,778	\$ 44,433
	=====	=====	=====

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 Operations. 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 or losses.

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 and include amounts billed to customers for shipping and handling. Costs associated with shipping and handling are included in cost of sales in the Consolidated Statements of Operations.

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

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

Receivables: Certain customer accounts receivable are factored without recourse with respect to credit risk. Factored accounts receivable at June 24, 2001, and June 25, 2000, were \$34.7 million and \$42.9 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 \$9.9 million at June 24, 2001 and \$17.2 million at June 25, 2000.

Inventories: The Company utilizes the last-in, first-out ("LIFO") method for valuing certain inventories representing 47.0% of all inventories at June 24, 2001, 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 \$5.0 million and \$5.9 million in excess of the LIFO valuation at June 24, 2001, and June 25, 2000, respectively. The Company experienced a LIFO liquidation in the current fiscal year resulting in the recognition of approximately \$0.4 million in pre-tax income. Finished goods, work in process, and raw materials and supplies at June 24, 2001, and June 25, 2000, amounted to \$64.5 million and \$81.2 million; \$12.5 million and \$17.0 million; and \$47.4 million and \$49.4 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 24, 2001, and June 25, 2000, consist primarily of the cash surrender value of key executive life insurance policies (\$9.3 million and \$7.7 million); unamortized bond issue costs and debt origination fees (\$6.1 million and \$5.9 million); and acquisition related assets consisting of the excess cost over fair value of net assets acquired and other intangibles (\$64.6 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

and \$82.6 million), respectively. Debt related origination costs have been amortized on the straight-line method over the life of the corresponding debt, which approximates the effective interest method. The acquisition related assets have been amortized on the straight-line method over periods ranging between five and thirty years. See Recent Accounting Pronouncements in this footnote for anticipated changes in amortizing and impairment testing of acquisition related assets for periods beginning after fiscal year 2001. Accumulated amortization at June 24, 2001, and June 25, 2000, for debt origination costs and acquisition related assets was \$29.9 million and \$26.6 million, respectively. See Footnote 15 "Consolidation and Cost Reduction Efforts" for further discussion on current year activity impacting noncurrent assets.

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. See Recent Accounting Pronouncements in this footnote for anticipated changes in amortizing and impairment testing of acquisition related assets for periods beginning after fiscal year 2001.

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

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS)		
Numerator:			
Income (loss) before cumulative effect of accounting change.....	\$(44,674)	\$38,033	\$59,027
Cumulative effect of accounting change.....	--	--	2,768
	-----	-----	-----
Net income (loss).....	\$(44,674)	\$38,033	\$56,259
	=====	=====	=====
Denominator:			
Denominator for basic earnings (losses) per share -- weighted average shares.....	53,868	58,488	60,568
Effect of dilutive securities:			
Stock options.....	--	19	2
Restricted stock awards.....	--	4	--
	-----	-----	-----
Diluted potential common shares denominator for diluted earnings (losses) per			

share -- adjusted weighted average shares and assumed conversions.....	53,868 =====	58,511 =====	60,570 =====
---	-----------------	-----------------	-----------------

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 230,805 options granted in fiscal 2001, 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 2001 and 2000 options vest in annual increments over five years and the fiscal 1999 options vest primarily over two years. Net income (loss) in fiscal 2001, 2000 and 1999 restated for the effect would have been \$(49.4) million or \$(0.92) per diluted

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

share, \$32.7 million or \$0.56 per diluted share and \$53.3 million or \$0.88 per diluted, respectively. The fair value and related compensation expense of the 2001, 2000 and 1999 options were calculated as of the issuance date using the Black-Scholes model with the following assumptions:

OPTIONS GRANTED -----	2001 ----	2000 ----	1999 ----
Expected life (years).....	10.0	10.0	10.0
Interest rate.....	6.00%	6.00%	6.14%
Volatility.....	47.7%	49.5%	49.3%
Dividend yield.....	--	--	--

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 September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). SFAS 140 replaces Statement of Financial Accounting Standards No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 125). SFAS 140 revises the standards for accounting and for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of SFAS 125's provisions. SFAS 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on a financial-components approach that focuses on control. This standard is applied prospectively and was effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of this standard did not have any effect on the Company's results of operation or financial position.

In September 2000, the Emerging Issues Task Force (EITF) issued EITF Abstract 00-10 "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 requires that any amounts billed to a customer for a sales transaction related to shipping or handling should be classified as revenues. Costs associated with providing this service is an accounting policy disclosure and a company may adopt a policy of including such costs in their cost of sales line item. The

Company was required to adopt EITF 00-10 in the fourth quarter of fiscal year 2001. The Company historically has included revenues earned for shipping and handling in the net sales line item in the Consolidated Results of Operations. Costs to provide this service were either historically included in net sales, for shipping costs, or in cost of sales, for handling expenses. Upon the adoption of EITF 00-10 the Company has reclassified the presentation of shipping costs from net sales to cost of sales and has restated all prior periods to conform with the current year format. Adopting EITF 00-10 had no impact on the Company's results of operations or financial position.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," (SFAS 141) and No. 142 "Goodwill and Other Intangible Assets (SFAS 142)." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited after this date. SFAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination completed after June 30, 2001.

SFAS 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually, or more frequently under certain conditions, for impairment in accordance with this standard. This impairment test uses a fair value approach rather than the undiscounted cash flows approach previously required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of (SFAS 121)." The amortization of goodwill included in

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

investments in equity investees will also no longer be recorded upon adoption of the new rules. Intangible assets that do not have indefinite lives will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS 121. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company anticipates that it will apply the new accounting rules beginning June 25, 2001. The Company is currently assessing the financial impact SFAS 141 and 142 will have on the consolidated financial statements. In fiscal 2001, the amortization expense associated with remaining goodwill approximated \$3.3 million.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS 143). This standard applies to all entities and addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Additionally, any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not yet assessed the financial impact that adopting SFAS 143 will have on the consolidated financial statements.

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, ALLIANCES AND DIVESTURES

On May 22, 2001, the Company assumed operating control of Glen Raven's (Glen Raven) air jet texturing assets located in Altamahaw, North Carolina. This location is capable of producing an estimated 13.0 million pounds of air jet texturing volume making Unifi the United States market leader in the production

of air jet textured yarn. The agreement between Glen Raven and the Company is structured as an operating lease whereby the air texturing equipment and manufacturing location will be leased from Glen Raven over a seven-year term. The Glen Raven employees at the Altamahaw plant became Unifi employees.

On June 22, 2001, the Company completed the previously announced sale of the assets of its wholly owned subsidiary, Unifi Technical Fabrics, LLC, to Avgol Nonwovens Industries of Holon, Israel. There were substantially no sales or other operating activities associated with these assets prior to the date of sale.

In June 2001, the consulting operations of the Company's majority-owned subsidiary, Unifi Technology Group (UTG) were sold to Camstar Technology Group, Inc. UTG was formed in the fourth quarter of fiscal year 1999 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 and a minority-ownership interest in the newly combined entity was subsequently sold to certain former Cimtec shareholders and former Unifi executives. The remaining UTG operations, now conducting business under the name Cimtec Automation, Inc., involves the sale and repair of certain computer hardware which was part of the Cimtec business acquired on June 1, 1999.

The combined sales proceeds from the divestures described in the preceding two paragraphs totaled approximately \$39.4 million.

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 involves the closing of the DuPont Cape Fear, North Carolina plant and will

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

shift commodity yarns from our Yadkinville, North Carolina facility to DuPont's Kinston, North Carolina 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 involving this manufacturing alliance. See Footnote 16 "Alliance Plant Closure Costs" on pages 37 and 38 for additional information involving this alliance.

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 added high quality, package-dyeing capabilities in Europe and compliments 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.

The Glen Raven, Intex, Brazilian and Cimtec 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.

4. LONG-TERM DEBT AND OTHER LIABILITIES

A summary of long-term debt follows:

	JUNE 24, 2001	JUNE 25, 2000
	-----	-----
	(AMOUNTS IN THOUSANDS)	
Bonds payable.....	\$248,651	\$248,447
Revolving credit facility dated April 15, 1996.....	--	211,500
Revolving credit facility dated December 20, 2000.....	6,500	--
Accounts receivable securitization.....	70,085	--
Sale-leaseback obligation.....	3,020	3,154
Other obligations.....	16,894	16,037
	-----	-----
Total debt.....	345,150	479,138
Current maturities.....	85,962	217,308
	-----	-----
Total long-term debt and other liabilities.....	\$259,188	\$261,830
	=====	=====

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

on quoted market prices, at June 24, 2001, and June 25, 2000, was approximately \$195.0 million and \$216.9 million, respectively.

The \$400 million revolving credit facility dated April 15, 1996 that was scheduled to mature April 15, 2001 was refinanced in December 2000. The June 25, 2000 outstanding balance was classified as short term due to the scheduled maturity falling within 12 months of the prior fiscal year end. The rate of interest that was charged under this facility was adjusted quarterly based on a pricing grid which considered the ratio of the Company's debt to earnings before income taxes, depreciation, amortization and other non-cash charges. The credit facility provided 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 paid 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 the period this debt was outstanding in the current fiscal year was 6.91% and was 6.12% for the prior fiscal year.

Effective December 20, 2000, the Company refinanced the above described

\$400 million credit facility with a new unsecured three year \$250 million revolving bank credit facility. Additionally, the Company entered into a \$100 million trade receivables financing agreement (the "Receivables Agreement") that is secured by its domestic and certain foreign accounts receivable. The Receivables Agreement does not have a stated maturity but is terminable at the option of the Company with a five-day written notice. The Company has classified the \$70.1 million outstanding at June 24, 2001, as a current maturity of long-term debt, pending renegotiation of the revolving credit facility discussed in the following paragraph, despite the intent of the Company to continue the Receivables Agreement on a long-term basis. Loans under the new credit facility initially bear interest at LIBOR plus .825% and advances under the receivables financing agreement bear interest at the applicable commercial paper rate plus .30%. The weighted average interest rates for the borrowings made from the revolver and the accounts receivable securitization from December 20, 2000 through June 24, 2001 were 6.60% and 5.92%, respectively. As of June 24, 2001, the Company had unused capacity of approximately \$243.5 million under the terms of the new revolving credit facility.

The loans under the new revolving credit facility include financial covenants that required, at June 24, 2001, tangible net worth of \$396.1 million, a maximum leverage ratio of 3.25 and a minimum interest coverage ratio of 2.50. The Company was in default of the interest coverage covenant of the new revolving credit facility at June 24, 2001. As a result, the Company has obtained a waiver through October 31, 2001, which reduced the facility from \$250 million to \$150 million and raised the effective interest rate approximately 2.0%. The Company is currently in discussions with the lending group and others to secure a more flexible long-term borrowing arrangement. The outstanding balance of the revolving credit facility of \$6.5 million at June 24, 2001 has been classified as a current maturity of long-term debt. The Company believes that its current financial position as well as its cash flow from operations and available collateral will allow it to refinance the revolving credit facility on acceptable terms.

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. Average annual principal payments over the next five years are approximately \$179 thousand. The interest rate implicit in the agreement is 7.84%.

Other obligations consist primarily of acquisition-related liabilities and advances from the Brazilian government. Maturities over the next three years are \$9.3 million, \$7.1 million, \$0.5 million, respectively.

Interest capitalized during fiscal 2001 and 2000 was \$2.4 million and \$0.6 million, respectively.

5. INCOME TAXES

The provision for income taxes for fiscal 2001, 2000 and 1999 consists of the following:

JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
-----	-----	-----

(AMOUNTS IN THOUSANDS)

Currently payable (recoverable):			
Federal.....	\$ (6,005)	\$ 6,629	\$20,124
State.....	666	1,682	2,951
Foreign.....	108	(225)	653
	-----	-----	-----
Total current.....	(5,231)	8,086	23,728
	-----	-----	-----
Deferred:			
Federal.....	(4,239)	9,772	10,219
State.....	(1,325)	(261)	(5,718)
Foreign.....	(803)	78	140
	-----	-----	-----
Total deferred.....	(6,367)	9,589	4,641
	-----	-----	-----
Income taxes (benefit) before cumulative effect of accounting change (1999).....	\$ (11,598)	\$17,675	\$28,369
	=====	=====	=====

Income taxes/(benefit) were (20.6%), 31.7% and 32.5% of pretax earnings/(losses) in fiscal 2001, 2000 and 1999, respectively. A reconciliation of the provision for income taxes/(benefits) (before cumulative effect of accounting changes in 1999) with the amounts obtained by applying the federal statutory tax rate is as follows:

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
Federal statutory tax rate.....	(35.0%)	35.0%	35.0%
State income taxes net of federal tax benefit....	(0.5)	3.7	3.1
State tax credits net of federal tax benefit....	(0.4)	(2.1)	(5.1)
Foreign taxes less than domestic rate.....	--	--	(1.8)
Foreign tax benefit of losses less than domestic rate.....	16.8	2.5	--
Foreign Sales Corporation tax benefit.....	(0.8)	(1.1)	(0.7)
Research and experimentation credit.....	(0.1)	(0.1)	(0.1)
Reversal of tax reserves.....	--	(7.4)	--
Nondeductible expenses and other.....	(0.6)	1.2	2.1
	-----	-----	-----
Effective tax rate.....	(20.6%)	31.7%	32.5%
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 24, 2001, and June 25, 2000, were as follows:

	JUNE 24, 2001	JUNE 25, 2000
	-----	-----
	(AMOUNTS IN THOUSANDS)	
Deferred tax liabilities:		
Property, plant and equipment.....	\$100,676	\$ 97,051
Investments in equity affiliates.....	19,297	19,974
Other.....	1,021	394
	-----	-----
Total deferred tax liabilities.....	\$120,994	\$117,419
	=====	=====
Deferred tax assets:		
Accrued liabilities and valuation reserves.....	15,397	9,795
State tax credits.....	16,608	16,511
Other items.....	8,682	5,067
	-----	-----
Total deferred tax assets.....	40,687	31,373

Net deferred tax liabilities.....	\$ 80,307	\$ 86,046
	=====	=====

6. COMMON STOCK, STOCK OPTION PLANS AND RESTRICTED STOCK

Common shares authorized were 500 million in 2001 and 2000. Common shares outstanding at June 24, 2001, and June 25, 2000, were 53,825,533 and 55,163,193, 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 Options ("ISO"), Non-Qualified Stock Options ("NQSO") and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock. The 230,805 and 1,975,570 options granted in fiscal 2001 and 2000, respectively 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 2001, 2000 and 1999 of all three plans were as follows:

	ISO		NQSO	
	OPTIONS OUTSTANDING	WEIGHTED AVG. \$/SHARE	OPTIONS OUTSTANDING	WEIGHTED AVG. \$/SHARE
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 2001:				
Granted.....	230,805	\$ 9.11	--	\$ --
Canceled.....	(177,477)	17.32	(40,000)	29.24
	-----		-----	
Shares under option -- end of year.....	2,857,922	\$14.31	1,189,175	\$25.31
	=====		=====	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	FISCAL 2001	FISCAL 2000	FISCAL 1999
	-----	-----	-----
ISO:			
Exercisable shares under option -- end of year.....	1,609,931	829,024	685,918
Option price range.....	\$11.19-\$25.38	\$10.19-\$25.38	\$10.19-\$25.38
Weighted average exercise price for options exercisable.....	\$ 16.46	\$ 22.14	\$ 23.52
Weighted average remaining life of shares under option.....	7.4	4.7	6.4
Fair value of options granted.....	\$ 5.59	\$ 7.58	\$ 11.21
NQSO:			
Exercisable shares under option -- end of year.....	1,189,175	1,229,175	1,542,077
Option price range.....	\$16.31-\$31.00	\$16.31-\$31.00	\$16.31-\$31.00

Weighted average exercise price for options exercisable.....	\$	25.31	\$	25.44	\$	25.48
Weighted average remaining life of shares under option.....		4.1		5.1		6.0
Fair value of options granted.....	\$	--	\$	--	\$	11.21

All options granted in fiscal 2001 and 2000 vest in annual increments over five years from the grant date.

During fiscal 2001 and 2000, the Company issued a combined total of 104,366 shares and 129,500 shares, respectively of restricted stock to certain employees under the 1999 Unifi, Inc. Long-Term Incentive Plan. The stock issued vests in equal annual increments ranging from two to 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 \$5.0 million in 2001 and \$11.0 million in both 2000 and 1999. 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 24, 2001, are \$6.4 million in 2002, \$5.4 million in 2003, \$5.8 million in 2004, \$4.6 million in 2005, \$3.5 million in 2006 and \$5.7 million in aggregate thereafter. Rental expense was \$7.9 million, \$8.5 million and \$7.6 million for the fiscal years 2001, 2000 and 1999, respectively. The Company had committed approximately \$20.0 million for the purchase and upgrade of equipment and facilities at June 24, 2001.

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 consulting operations of this business was sold at the end of the current fiscal year. This operation comprises the majority of the amounts included in the "All Other" column for all three years presented. The Company also maintains investments in several minority-owned and jointly owned affiliates. See Footnote 11 in these Consolidated Financial Statements for further information on unconsolidated affiliates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

	POLYESTER	NYLON	ALL OTHER	TOTAL
--	-----------	-------	-----------	-------

(AMOUNTS IN THOUSANDS)

Fiscal 2001:				
Net sales to external customers.....	\$791,169	\$315,114	\$24,106	\$1,130,389
Intersegment net sales.....	63	--	9,164	9,227
Depreciation and amortization.....	57,159	22,616	1,048	80,823
Segment operating income (loss).....	28,430	7,392	(1,859)	33,963
Total assets.....	608,594	292,369	5,076	906,039
Fiscal 2000:				
Net sales to external customers.....	\$861,842	\$409,433	\$20,160	\$1,291,435
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.....	695,675	358,205	17,721	1,071,601
Fiscal 1999:				
Net sales to external customers.....	\$815,628	\$445,089	\$ 1,561	\$1,262,278
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

Net sales to external customers for fiscal year 2001 does not include \$768 thousand of net sales associated with the Company's non-woven start-up operation. This operation was substantially selling off-quality product during its ramp-up phase and had not yet been classified internally as a separate operational segment for purposes of management evaluation.

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. In fiscal year 1999, 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 and for fiscal year 2000, 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 Footnote 1 "Accounting Policies and Financial Statement Information"), 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.

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 Footnote 14 "Early Retirement and Termination Charge" for additional information.

The change in the polyester segment total assets between fiscal year end 2000 and 2001 reflects reduced working capital of \$38.1 million and lower fixed assets of \$51.2 million. The fixed asset reduction is primarily

associated with current year depreciation. The change in the nylon segment total assets for this period is a result of lower working capital of \$44.6 million, decreased property and equipment of \$16.5 million and lower noncurrent assets of

approximately \$3.3 million. The reduction in long-term assets is primarily associated with depreciation and amortization recorded during the current year. The change in total assets for the "All Other" segment primarily reflects the sale of the consulting operations of the Company's majority owned subsidiary, Unifi Technology Group at the end of the current fiscal year.

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS)		
Depreciation and amortization:			
Depreciation and amortization of specific reportable segment assets.....	\$ 80,823	\$ 82,203	\$ 82,484
Depreciation of unallocated assets.....	7,271	7,146	6,362
Amortization of unallocated assets.....	2,108	3,841	3,373
	-----	-----	-----
Consolidated depreciation and amortization.....	\$ 90,202	\$ 93,190	\$ 92,219
	=====	=====	=====
Operating income (loss):			
Reportable segments operating income.....	\$ 33,963	\$ 108,512	\$ 112,614
Unallocated start-up operating losses.....	2,078	--	--
Net standard cost (income) expense adjustment to LIFO.....	(2,781)	4,444	(8,040)
Unallocated operating (income) expense project adjustment.....	339	(1,440)	1,442
Provision for bad debts.....	8,697	8,694	1,129
Interest expense.....	30,123	30,294	27,459
Interest income.....	(2,549)	(2,772)	(2,399)
Other (income) expense.....	7,582	1,052	440
Equity in (earnings) losses of unconsolidated affiliates.....	(2,930)	2,989	(4,214)
Minority interests.....	2,590	9,543	9,401
Alliance plant closure costs.....	15,000	--	--
Asset impairments and write downs.....	24,541	--	--
Employee severance and related charges.....	7,545	--	--
	-----	-----	-----
Income (loss) before income taxes and cumulative effect of accounting change.....	\$ (56,272)	\$ 55,708	\$ 87,396
	=====	=====	=====
Total assets:			
Reportable segments total assets.....	\$ 906,039	\$1,071,601	\$ 930,330
Cash, receivables and other current assets.....	24,720	16,254	17,661
Unallocated corporate fixed assets.....	16,603	44,159	176,161
Other non-current corporate assets.....	36,010	38,522	41,085
Investments in equity affiliates.....	173,502	208,918	207,142
Intersegment notes and receivables.....	(19,555)	(24,690)	(6,539)
	-----	-----	-----
Consolidated assets.....	\$1,137,319	\$1,354,764	\$1,365,840
	=====	=====	=====

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 2001, 2000 and 1999 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 \$143.4 million in 2001, \$182.8 million in 2000 and, \$153.9 million in 1999. 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 Colombia. Net sales, pre-tax operating income and total assets of the Company's foreign and domestic operations are as follows:

(AMOUNTS IN THOUSANDS)

Foreign operations:			
Net sales.....	\$190,763	\$ 182,326	\$ 141,310
Pre-tax income (loss).....	(28,430)	(4,456)	6,804
Total assets.....	160,190	193,746	174,146
Domestic operations:			
Net sales.....	\$940,394	\$1,109,109	\$1,120,968
Pre-tax income (loss).....	(27,842)	60,164	80,592
Total assets.....	977,129	1,161,018	1,191,694

10. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective June 26, 2000, the Company began accounting for derivative contracts and hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires all derivatives to be recorded on the balance sheet at fair value. There was no cumulative effect adjustment of adopting this accounting standard. 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.

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 or anticipated 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 for purchase transactions the Company is firmly committed. For anticipated purchase transactions, gains or losses on hedge contracts are accumulated in Other Comprehensive Income (Loss) and periodically evaluated to assess hedge effectiveness. In the current year, the Company recorded and subsequently wrote off approximately \$4.7 million of accumulated losses on hedge contracts associated with the anticipated purchase of machinery that was later canceled. The contracts outstanding for anticipated purchase commitments that were subsequently canceled were unwound by entering into sales contracts with identical remaining maturities and contract values. These purchase and sales contracts continue to be marked

outstanding purchase and sales foreign currency forward contracts are October 15, 2001 and March 21, 2002, respectively.

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

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS)		
Foreign currency purchase contracts:			
Notional amount.....	\$14,400	\$49,343	\$ 2,842
Fair value.....	12,439	46,760	3,250
	-----	-----	-----
Net (gain) loss.....	\$ 1,961	\$ 2,583	\$ (408)
	=====	=====	=====
Foreign currency sales contracts:			
Notional amount.....	\$28,820	\$26,303	\$28,024
Fair value.....	29,369	26,474	27,826
	-----	-----	-----
Net (gain) loss.....	\$ 549	\$ 171	\$ (198)
	=====	=====	=====

For the fiscal year ended June 24, 2001, the total impact of foreign currency related items on the Consolidated Statements of Operations, including transaction that were hedged and those that were not hedged, was a pre-tax loss of \$9.5 million.

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 Footnote 4 "Long-Term Debt and Other Liabilities").

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

On September 13, 2000, the Company and SANS Fibres of South Africa formed a 50/50 joint venture (UNIFI-SANS Technical Fibers, LLC or UNIFI-SANS) to produce low-shrinkage high tenacity nylon 6.6 light denier industrial (LDI) yarns in North Carolina. Sales from this entity are expected to be primarily to customers in the NAFTA and CBI markets. UNIFI-SANS will also incorporate the two-stage light denier industrial nylon yarn business of Solutia, Inc. which was purchased by SANS Fibres. Solutia will exit the two-stage light denier industrial yarn business transitioning production from its Greenwood, SC site to the UNIFI-SANS Stoneville, North Carolina facility, a former Unifi manufacturing location. The Unifi-Sans facility is scheduled to begin production in November 2001. Until such time, UNIFI-SANS will continue to purchase yarn from Solutia to meet market demand. Unifi will manage the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres will handle technical support and sales. Annual LDI production capacity from the joint venture is estimated to be approximately 9.6 million pounds.

On September 27, 2000, Unifi and Nilit Ltd., located in Israel, formed a 50/50 joint venture to be called U.N.F. Industries Ltd. (U.N.F.). The joint venture will produce approximately 25.0 million pounds of nylon POY at Nilit's manufacturing facility in Migdal Ha - Emek, Israel. Production and shipping of POY from this facility began in March 2001. The nylon POY will be utilized in the Company's nylon texturing and covering operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In addition, the Company continues to maintain a 34% interest in Parkdale America, LLC (the "LLC") and has reduced its equity interest in Micell Technologies Inc. ("Micell") from 45.27% to 32.71% during the current year.

Condensed balance sheet and income statement information of the combined unconsolidated equity affiliates as of and for the twelve-month periods ended June 24, 2001, June 25, 2000 and June 27, 1999 are as follows:

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS)		
Current assets.....	\$258,679	\$223,068	\$282,004
Noncurrent assets.....	216,760	234,093	256,513
Current liabilities.....	145,963	37,632	125,730
Shareholders' equity and capital accounts.....	294,411	398,113	390,935
Net sales.....	\$493,012	\$507,950	\$594,445
Gross profit.....	27,229	33,524	57,915
Income from operations.....	4,224	988	27,653
Net income.....	6,642	2,453	21,262

UNIFI-SANS and the LLC are organized as partnerships for U.S. tax purposes. Taxable income is passed through UNIFI-SANS and the LLC to the members in accordance with the Operating Agreements of UNIFI-SANS and the LLC. For the fiscal years ended June 24, 2001, June 25, 2000 and June 27, 1999, distributions received by the Company from the LLC amounted to \$51.9 million, \$3.2 million and \$9.5 million, respectively. Included in the above net sales amount for the June 24, 2001 period are sales to Unifi of approximately \$12.5 million. This amount represents sales of nylon POY from U.N.F. for use in the production of nylon textured yarn in the ordinary course of business.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is summarized below:

	JUNE 24, 2001	JUNE 25, 2000	JUNE 27, 1999
	-----	-----	-----
	(AMOUNTS IN THOUSANDS)		
Cash payments for:			
Interest, net of amounts capitalized.....	\$28,362	\$28,978	\$25,396
Income taxes, net of refunds.....	1,392	9,315	8,225

13. MINORITY INTEREST

Effective May 29, 1998, the Company formed Unifi Textured Polyester, LLC (UTP) with Burlington Industries, Inc. ("Burlington") to manufacture and market natural textured polyester yarns. The Company has an 85.42% interest in UTP and Burlington has 14.58%. For the first five years, Burlington is entitled to the first \$9.4 million of earnings and the first \$12.0 million of excess cash flow of the business. Subsequent to this five-year period, earnings and cash flows are to be allocated based on ownership percentages. UTP's assets, liabilities and earnings are consolidated with those of the Company and Burlington's interest in the UTP is included in the Company's financial statements as minority interest. Minority interest for Burlington's share of UTP in fiscal 2001, 2000 and 1999 amounted to \$3.0 million, \$9.4 million and \$9.4 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 for

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

severance expected to be spread over a period not to exceed three years. At June 24, 2001, a reserve of \$5.6 million remained on the Consolidated Balance Sheets that is expected to equal the future cash expenditures to such terminated employees.

15. CONSOLIDATION AND COST REDUCTION EFFORTS

In the current year, the Company recorded charges of \$7.6 million for severance and employee related costs and \$24.5 million for asset impairments and write-downs. The majority of these charges relate to U.S. and European operations and include plant closings and consolidations, the reorganization of administrative functions and the write down of assets for certain operations determined to be impaired as well as certain non-core businesses that are being held for sale. The plant closing and consolidations of the manufacturing and distribution systems are aimed at improving the overall efficiency and effectiveness of our operations and reducing our fixed cost structure in response to decreased sales volumes.

The severance and other employee related costs provide for the termination of approximately 750 people who were terminated as a result of these worldwide initiatives and included management, production workers and administrative support located in Ireland, England and in the United States. Notice of the termination was made to all employees prior to March 24, 2001 and substantially all affected personnel were terminated by the end of April 2001. Severance will be paid in accordance with various plan terms, which vary from lump sum to a payout over a maximum of 21 months ending December 2002. Additionally, this charge includes costs associated with medical and dental benefits for former employees no longer providing services to the Company and provisions for certain consultant agreements for which no future benefit is anticipated.

The charge for impairment and other write down of assets includes \$18.6 million for the write down of duplicate or less efficient property, plant and equipment to their fair value less disposal cost and the write down of certain non-core assets which are held for sale. It is anticipated that the remaining non-core assets and business will be sold prior to the end of calendar 2001. Additionally, an impairment charge of \$5.9 million was recorded for the write down to fair value of assets, primarily goodwill, associated with the European polyester dyed yarn operation and Colombian nylon covering operation as the undiscounted cash flows of the business were not sufficient to cover the carrying value of these assets. These reviews were prompted by ongoing excess manufacturing capacity issues. Run-out expenses related to the consolidation and closing of the affected operations, including equipment relocation and other costs associated with necessary ongoing plant maintenance expenses, were charged to operations as incurred and were substantially completed by the end of the current fiscal year.

The table below summarizes the employee severance portion of the consolidation and cost reduction charge, the amounts paid and the accrual balance as of June 24, 2001:

Total charges.....	\$ 7,753
Cash payments.....	(3,547)
Change in estimate.....	(209)

Balance at June 24, 2001..... \$ 3,997
=====

Substantially all costs other than severance associated with the consolidation and cost reduction charges are non cash.

16. ALLIANCE PLANT CLOSURE COSTS

In the fourth quarter of the current fiscal year, the Company recorded its share of the anticipated costs of closing DuPont's Cape Fear, North Carolina facility. The charge totaled \$15.0 million and represents 50% of the severance and dismantlement cost of closing this plant. The Cape Fear plant produced polyester POY and was one of two DuPont facilities involved in the Alliance further discussed in Footnote 2 "Acquisitions, Alliances and Divestures." Payments for this obligation are to be made over the eighteen-month period

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

commencing July 2001 and ending December 2002. This obligation is included in accrued liabilities on the Consolidated Balance Sheets.

17. QUARTERLY RESULTS (UNAUDITED)

Quarterly financial data for the years ended June 25, 2000, and June 24, 2001, is presented below:

	FIRST QUARTER (13 WEEKS)	SECOND QUARTER (13 WEEKS)	THIRD QUARTER (13 WEEKS)	FOURTH QUARTER (13 WEEKS)
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)				
2000:				
Net sales.....	\$306,974	\$320,207	\$322,096	\$342,158
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
2001:				
Net sales.....	\$319,163	\$299,143	\$255,223	\$257,628
Gross profit.....	37,660	28,040	15,975	15,438
Net income (loss).....	2,883	(3,428)	(28,548)	(15,581)
Earnings (loss) per share (basic).....	.05	(.06)	(.53)	(.29)
Earnings (loss) per share (diluted).....	.05	(.06)	(.53)	(.29)

Net sales for the first quarter of fiscal year 2001 have been reclassified to conform with the presentation for the second, third and fourth quarters. Net sales for all quarters presented reflect the reclassification of freight expense from net sales into cost of sales.

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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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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 6 and on page 15 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 24, 2001, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

(b) Identification of Executive Officers:

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Brian R. Parke. Mr. Parke is 53 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 48 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 53 and has been a Vice President or Executive Vice President of the Company since 1979. He has been a member of the Board of Directors since 1986.

SENIOR VICE PRESIDENTS

Thomas H. Caudle. Mr. Caudle is 50 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 45 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 48 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 Customer Development.

Ottis "Lee" Gordon. Mr. Gordon is 55 and has been an employee of the Company since the merger with Macfield, Inc. 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 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 26, 2001. 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: There are no family relationship between any of the Officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the headings "Compensation Committees Interlocks and Insider Participation in Compensation Decisions", "Report of the Compensation Committee on Executive Compensation", "Executive Officers and their Compensation", "Option Grants in Fiscal Year 2001", "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 24, 2001, 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), (10m) and (10n) 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 24, 2001, 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 24, 2001, 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.....	18
Consolidated Balance Sheets at June 24, 2001 and June 25, 2000.....	19
Consolidated Statements of Operations for the Years Ended June 24, 2001, June 25, 2000, and June 27, 1999.....	20
Consolidated Statements of Changes in Shareholders' Equity	

and Comprehensive Income (Loss) for the Years Ended June 24, 2001, June 25, 2000 and June 27, 1999.....	21
Consolidated Statements of Cash Flows for the Years Ended June 24, 2001, June 25, 2000 and June 27, 1999.....	22
Notes to Consolidated Financial Statements.....	23
2. Financial Statement Schedules	
Schedules for the three years ended June 24, 2001:	
II -- Valuation and Qualifying Accounts.....	46

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 2001 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 as Exhibit 3(a) with the Company's Form 10-K for the fiscal year ended June 25, 2000), which is incorporated herein by reference.
- (3b) -- Restated by-laws of Unifi, Inc., effective August 31, 2001, filed herewith.
- (4a) -- Specimen Certificate of Unifi, Inc.'s common stock, filed as Exhibit 4(a) to the Registration Statement on Form S-1, (Registration No. 2-45405), which is incorporated herein by reference.
- (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.

- (10c) -- *Unifi, Inc. 1992 Incentive Stock Option Plan, effective July 16, 1992, (filed as Exhibit 10(c) 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 as Exhibit 10(h) with the Company's Form 10-K for the fiscal year ended June 25, 2000) which is incorporated herein by reference.
- (10i) -- *Employment Agreement between Unifi, Inc. and G. Allen Mebane, dated July 19, 1990 (filed as Exhibit 10(i) with the Company's Form 10-K for the fiscal year ended June 25, 2000) which is incorporated herein by reference.

EXHIBIT
NO.

DESCRIPTION

- | EXHIBIT
NO. | DESCRIPTION |
|----------------|---|
| ----- | ----- |
| (10j) | -- Credit Agreement, dated December 20, 2000, by and between Unifi, Inc. and The Several Lenders from Time to Time Party thereto and Bank of America, N.A. as Administrative Agent, Wachovia Bank, N.A. as Syndication Agent, Credit Suisse First Boston as Documentation Agent and Banc America Securities LLC as Lead Arranger and Book Manager (the "Credit Agreement"), filed herewith. |
| (10k) | -- First Amendment To Credit Agreement and Waiver dated August 14, 2001, filed herewith. |
| (10l) | -- Receivables Purchase Agreement, dated December 19, 2000, among Unifi Receivables, LLC, as Seller, Unifi, Inc., as Initial Servicer, Blue Ridge Asset Funding Corporation and Wachovia Bank, N.A., as Agent, filed herewith. |
| (10m) | -- *Change of Control Agreement between Unifi, Inc. and G. Alfred Webster, dated October 26, 2000, expiring November 1, 2005, filed herewith. |
| (10n) | -- *Agreement, effective February 1, 1999, by and between Unifi, Inc. and Jerry W. Eller, (filed as Exhibit 10(s) with the Company's Form 10-K for the fiscal year ended June 27, 1999) which is incorporated herein by reference. |
| (10o) | -- *1999 Unifi, Inc. Long-Term Incentive Plan, (filed as Exhibit 99.1 to the Registration Statement on Form S-8, |

(Registration No. 333-48158), which is incorporated herein by reference.

- (10p) -- Master Agreement POY Manufacturing Alliance between Unifi, Inc. and E.I. du Pont de Nemours and Company, dated June 1, 2000 (filed as Exhibit 10(o) with the Company's Form 10-K for the fiscal year ended June 25, 2000) which is incorporated herein by reference.
- (21) -- Subsidiaries of Unifi, Inc.
- (23) -- Consent of Ernst & Young LLP.
- (b) -- Reports on Form 8-K. None

* 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.

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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, 2001 By: /s/ BRIAN R. PARKE

Brian R. Parke
Chief Executive Officer

September 21, 2001 By: /s/ WILLIS C. MOORE, III

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

September 21, 2001 By: /s/ EDWARD A. IMBROGNO

Edward A. Imbrogno
Chief Accounting Officer

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

SIGNATURE -----	TITLE -----	DATE -----
/s/ BRIAN R. PARKE ----- Brian R. Parke	President, Chief Executive Officer and Director	September 21, 2001
/s/ G. ALFRED WEBSTER ----- G. Alfred Webster	Executive Vice President and Director	September 21, 2001
/s/ WILLIAM J. ARMFIELD, IV ----- William J. Armfield, IV	Director	September 21, 2001
----- R. Wiley Bourne, Jr.	Director	September 21, 2001

----- /s/ CHARLES R. CARTER ----- Charles R. Carter	Director	September 21, 2001
----- /s/ SUE W. COLE ----- Sue W. Cole	Director	September 21, 2001
----- /s/ J.B. DAVIS ----- J.B. Davis	Director	September 21, 2001
----- /s/ RICHARD GREENBURY ----- Sir Richard Greenbury	Director	September 21, 2001
----- Kenneth G. Langone	Director	September 21, 2001
----- /s/ DONALD F. ORR ----- Donald F. Orr	Director	September 21, 2001
----- /s/ ROBERT A. WARD ----- Robert A. Ward	Director	September 21, 2001

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SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

----- COLUMN A -----	COLUMN B	----- COLUMN C -----		COLUMN D	COLUMN E
----- DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD	----- ADDITIONS -----		DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD
-----	-----	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS -- DESCRIBE	-----	-----
-----	(AMOUNTS IN THOUSANDS)	-----	-----	-----	-----
Allowance for doubtful accounts (a):					
Year ended June 24, 2001.....	\$17,209	14,985	47 (b)	(22,352) (c)	\$ 9,889
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

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- (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) May include acquisition related adjustments and/or 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.

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RESTATED BY-LAWS

OF

UNIFI, INC.

(Effective August 31,2001)

RESTATED BY-LAWS

OF

UNIFI, INC.

ARTICLE I

SHAREHOLDERS

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

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

SECTION 1.03. NOTICE OF MEETINGS OF SHAREHOLDERS. Whenever shareholders are required or permitted to take any action at a meeting, written notice shall state the place, date and hour of the meeting and, unless it is the Annual Meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of Section 623 of the Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose to that effect. A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than fifty days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, then directed to him at such other address.

When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the

time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if after the adjournment, the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice under the next preceding paragraph.

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

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

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

The shareholders present may adjourn the meeting despite the

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

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

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

SECTION 1.07. LIST OF SHAREHOLDERS AT MEETING. A list of shareholders as of the record date, certified by the corporate officer responsible for its preparation or by a transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote

at any meeting is challenged, the inspectors of election, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

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

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

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

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

vote or take other action thereon.

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

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

- (1) A Pledgee;
- (2) A person who has purchased or agreed to purchase the shares;
- (3) A creditor or creditors of the Corporation who extend or continue credit to the Corporation in consideration of the proxy if the proxy states that it was given in consideration of such extension or continuation of credit, the amount thereof, and the name of the person extending or continuing credit;
- (4) A person who has contracted to perform services as an Officer of the Corporation, if a proxy is required by the contract of employment, if the proxy states that it was given in consideration of such contract of employment, the name of the employee and the period of employment contracted for;
- (5) A person designated by or under an agreement under paragraph (a) of said Section 620.

Notwithstanding a provision in a proxy, stating that it is irrevocable, the proxy becomes revocable after the pledge is redeemed, or the debt of the

Corporation is paid, or the period of employment provided for in the contract of employment has terminated, or the agreement under paragraph (a) of said Section 620 has terminated, and becomes revocable, in a case provided for in subparagraph (3) or (4) above, at the end of the period, if any,

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specified therein as the period during which it is irrevocable, or three years after the date of the proxy, whichever period is less, unless the period of irrevocability is renewed from time to time by the execution of a new irrevocable proxy as provided in this Section. This paragraph does not affect the duration of a proxy under the second paragraph of this Section.

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

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

The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at

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the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Unless appointed by the Board of Directors or requested by a shareholder, as above provided in this Section, inspectors shall be dispensed with at all meetings of shareholders.

The vote upon any question before any shareholders' meeting need not be by ballot.

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

Treasury shares and shares held by another domestic or foreign

corporation of any type or kind, if a majority of the shares entitled to vote in the election of Directors of such other

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corporation is held by the Corporation, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

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

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

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

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

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therefor.

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

When shares are registered on the record of shareholders of the Corporation in the name of, or have passed by operation of law or by virtue of any deed of trust or other instrument to two or more fiduciaries, and if the fiduciaries shall be equally divided as to voting such shares, any court having jurisdiction of their accounts, upon petition by any of such fiduciaries or by any party in interest, may direct the voting of such shares for the best interest of the beneficiaries. This paragraph shall not apply in any case where the instrument or order of the court appointing such fiduciaries shall otherwise direct how such shares shall be voted.

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

SECTION 1.11. VOTE OF SHAREHOLDERS. Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Whenever any corporate action, other than the election of Directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by the Business Corporation Law or by

the Certificate of Incorporation of the Corporation, be authorized by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.

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

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

ARTICLE II

DIRECTORS

SECTION 2.01. MANAGEMENT OF BUSINESS; QUALIFICATIONS OF DIRECTORS. The business of the Corporation shall be managed by its

Board of Directors, each of whom shall be at least twenty-one years of age.

Directors need not be Stockholders.

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

SECTION 2.02. NUMBER OF DIRECTORS. The number of Directors which shall constitute the entire Board shall be ten (10), but this number may be increased and subsequently again increased or decreased from time to time by the affirmative vote of the majority of Directors, except that the number of Directors shall not be less than nine (9).

SECTION 2.03. CLASSIFICATION AND ELECTION. (a) The Directors shall be divided into three classes designated as Class 1, Class 2 and Class 3. All classes shall be as nearly equal in number as possible and no class shall include less than three (3) Directors. The term of office of the Directors initially classified shall be as follows: Class 1 shall expire at the next (1992) Annual Meeting of the Shareholders, Class 2 shall expire at the second succeeding (1993) Annual Meeting of the Shareholders, and Class 3 shall expire at the third succeeding (1994) Annual Meeting of the Shareholders. (b) At each Annual Meeting after

such initial classification, Directors to replace those whose terms expired at such Annual Meeting shall be elected to hold office until the third succeeding Annual Meeting of the Shareholders. A Director shall hold office until the Annual Meeting for the year in which his term expires and subject to prior death, resignation, retirement, or removal from office, until his successor shall be elected and qualified.

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

In no case will a decrease in the number of Directors shorten the term of an incumbent Director.

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

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

SECTION 2.06. QUORUM OF DIRECTORS. At all meetings of the Board of Directors, a majority of the number of Directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as expressly provided otherwise

by the statutes of the State of New York and except as provided in the third sentence of Section 2.04, in Section 2.11 and Section 7.09 hereof.

A majority of the Directors present, whether or not a quorum is

present, may adjourn any meeting of the Directors to another time and place. Notice of any adjournment need not be given if such time and place are announced at the meeting.

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

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

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

SECTION 2.10. COMPENSATION. Directors shall receive such fixed sums and expenses of attendance for attendance at each meeting of the Board or of any committee and/or such salary as may be determined from time to time by the Board of Directors; provided

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that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

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

- (a) The submission to shareholders of any action that needs shareholder's authorization under the Business Corporation Law.
- (b) The filling of vacancies in the Board of Directors or in any committee.
- (c) The fixing of compensation of the Directors for serving on the Board of Directors or on any committee.
- (d) The amendment or repeal of the By-Laws, or the adoption of new By-Laws.
- (e) The amendment or repeal of any resolution of the Board of Directors which by its terms shall not be so amendable or repealable.

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

Regular meetings of any such committee shall be held at such time and place as shall from time to time be fixed by such committee and no notice thereof shall be necessary.

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Special meetings may be called at any time by any Officer of the Corporation or any member of such committee. Notice of each special meeting of each such committee shall be given (or waived) in the same manner as notice of a special meeting of the Board of Directors. A majority of the members of any such committee shall constitute a quorum for the transaction of business and the act of a majority of the members present at the time of the vote, if a quorum is present at such time, shall be the act of the committee.

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

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

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

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

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

ARTICLE III

OFFICERS

SECTION 3.01. ELECTION OR APPOINTMENT: NUMBER. The Chairman of the Board of Directors and Officers of the Corporation shall be elected or appointed

by the Board of Directors. The Officers

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shall be a President, a Secretary, a Treasurer, and such number of Executive Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers, and such other Officers, as the Board may from time to time determine. Any person may hold two or more offices at the same time, except the offices of President and Secretary. An Officer may, but no Officer need, be chosen from among the Board of Directors.

SECTION 3.02. TERM. Subject to the provisions of Section 3.03 hereof, all officers shall be elected or appointed to hold office until the meeting of the Board of Directors following the next Annual Meeting of shareholders, and each officer shall hold office for the term for which he is elected or appointed and until his successor has been elected or appointed and qualified. The Board may require any Officer to give security for the faithful performance of his duties.

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

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

SECTION 3.04. AUTHORITY. Any Director or such other person as may be designated by the Board of Directors, and in the absence of such Director or other person, the President shall be the Chief

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Executive Officer ("CEO") of the Corporation. The CEO shall oversee the general operations of the Corporation and set company policy that would be implemented, interpreted and carried out by the President of the Corporation who will report directly to the CEO. The Chairman of the Board shall preside at all meetings of the Board of Directors unless some other person is designated by the Board.

SECTION 3.05. VOTING SECURITIES OWNED BY THE CORPORATION. Powers of attorney, proxies, waivers or notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice-President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any Corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

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ARTICLE IV

CAPITAL STOCK

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

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

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

SECTION 4.03. REGISTERED HOLDERS. The Corporation shall be

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

SECTION 4.04. NEW CERTIFICATES. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Directors may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or his legal representatives, to give the Corporation a bond sufficient (in the judgment of the Directors) to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or theft of any such certificate or the issuance of such new certificate. A new certificate may be issued without requiring any bond when, in the judgment of the Directors, it is proper so to do.

ARTICLE V

FINANCIAL NOTICES TO SHAREHOLDERS

SECTION 5.01. DIVIDENDS. When any dividend is paid or any other distribution is made, in whole or in part, from sources other than earned surplus, it shall be accompanied by a written notice

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(1) disclosing the amounts by which such dividend or distribution affects stated

capital, capital surplus and earned surplus, or (2) if such amounts are not determinable at the time of such notice, disclosing the approximate effect of such dividend or distribution upon stated capital, capital surplus and earned surplus and stating that such amounts are not yet determinable.

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

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

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distribution or change that is furnished to such shareholders between the date of the change and shares and the next such financial statement, and in any event within six months of the date of such change.

SECTION 5.03. CANCELLATION OF REACQUIRED SHARES. When reacquired shares other than converted shares are canceled, the stated capital of the Corporation shall be reduced by the amount of stated capital then represented by such shares plus any stated capital not theretofore allocated to any designated class or series which is thereupon allocated to the shares canceled. The amount by which stated capital has been reduced by cancellation of required shares during a stated period of time shall be disclosed in the next financial statement covering such period that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of each class or series of its shares between the end of the period and the next such financial statement, and in any event to all its shareholders within six months of the date of the reduction of capital.

SECTION 5.04. REDUCTION OF STATED CAPITAL. When a reduction of stated capital has been effected under Section 516 of the Business Corporation Law, the amount of such reduction shall be disclosed in the next financial statement covering the period in which such reduction is made that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of

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each class or series of its shares between the date of such reduction and the next such financial statement, and in any event to all its shareholders within six months of the date of such reduction.

SECTION 5.05. APPLICATION OF CAPITAL SURPLUS TO ELIMINATION OF A DEFICIT. Whenever the Corporation shall apply any part or all of its capital surplus to the elimination of any deficit in the earned surplus account, such

application shall be disclosed in the next financial statement covering the period in which such elimination is made that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to holders of each class or series of its shares between the date of such elimination and the next such financial statement, and in any event to all its shareholders within six months of the date of such action.

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

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months of the date of the conversion of shares.

ARTICLE VI

INDEMNIFICATION

SECTION 6.01. RIGHT TO INDEMNIFICATION. The Corporation shall indemnify, defend and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or other, including appeals, by reason of the fact that he is or was a Director, Officer or employee of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer or employee of any Corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, Officer or employee or in any other capacity while serving as a Director, Officer or employee, to the fullest extent authorized by the New York Business Corporation Law, as the same exists or may hereafter be amended, against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that except as provided in Section 6.02 hereof with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify

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any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if required by law at the time of such payment, the payment of such expenses incurred by a Director or Officer in his capacity as a Director or Officer (and not in any other capacity in which service was or is rendered by such person while a Director or Officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to

the Corporation of an undertaking, by or on behalf of such Director or Officer, to repay all amounts so advanced if it should be determined ultimately that such Director or Officer is not entitled to be indemnified under this Section or otherwise.

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

SECTION 6.02. RIGHT OF CLAIMANT TO BRING SUIT. If a claim under Section 6.01 is not paid in full by the Corporation within sixty (60) days or, in cases of advances of expenses, twenty (20)

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

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enforceable and shall stipulate in any such proceeding that the Corporation is bound by all provisions of this Article.

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

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

heirs, Executors and Administrators of such a person.

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

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

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ARTICLE VII

MISCELLANEOUS

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

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

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

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

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

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

SECTION 7.07. WHEN NOTICE OR LAPSE OF TIME UNNECESSARY; NOTICE DISPENSED WITH WHEN DELIVERY IS PROHIBITED. Whenever, under the Business Corporation Law or the Certificate of Incorporation or the By-Law of the Corporation or by the terms of any agreement or instrument, the Corporation or the Board of Directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time, if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a shareholder, by his attorney-in-fact, submit a signed waiver of notice of such requirements.

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

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

SECTION 7.09. AMENDMENT OF BY-LAWS. These By-Laws may be amended or repealed and new By-Laws adopted by the Board of Directors or by vote of the holders of the shares at the time entitled to vote of the holders of the shares at the time

entitled to vote in the election of any Directors, except that any amendment by the Board changing the number of Directors shall require the vote of a majority

of the Entire Board and except that any By-Laws adopted by the Board may be amended or repealed by the shareholders entitled to vote thereon as provided in the Business Corporation Law.

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

SECTION 7.10 NONAPPLICATION OF NORTH CAROLINA SHAREHOLDER PROTECTION ACT. The provisions of North Carolina General Statutes 55-75 through 55-79 shall not be applicable to this Corporation.

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

CREDIT AGREEMENT

Dated as of December 20, 2000

among

UNIFI, INC.,
as Borrower,

AND

CERTAIN SUBSIDIARIES OF THE BORROWER
FROM TIME TO TIME PARTY HERETO,
as Subsidiary Guarantors,

THE SEVERAL LENDERS
FROM TIME TO TIME PARTY HERETO

BANK OF AMERICA, N.A.,
as Administrative Agent,

WACHOVIA BANK, N.A.,
as Syndication Agent

AND

CREDIT SUISSE FIRST BOSTON,
as Documentation Agent

BANC OF AMERICA SECURITIES LLC,
as Lead Arranger and Book Manager

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of December 20, 2000 (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"), is by and among UNIFI, INC., a New York corporation (the "Borrower"), the Subsidiary Guarantors (as defined herein), the Lenders (as defined herein) from time to time party hereto, BANK OF AMERICA, N.A., as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent"), WACHOVIA BANK, N.A., as Syndication Agent for the Lenders (in such capacity, the "Syndication Agent") and CREDIT SUISSE FIRST BOSTON, as Documentation Agent for the Lenders (in such capacity, the "Documentation Agent").

W I T N E S S E T H

WHEREAS, the Borrower has requested that the Lenders provide a \$250,000,000 credit facility for the purposes hereinafter set forth; and

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

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

SECTION 1

DEFINITIONS

1.1 DEFINITIONS.

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

"Acquisition" means the acquisition by any Person of the Capital Stock or all or substantially all of the Property of another Person, whether or not involving a merger or consolidation with such Person.

"Additional Credit Party" means each Person that becomes a Subsidiary Guarantor after the Closing Date by execution of a Joinder Agreement.

"Adjusted Base Rate" means the Base Rate plus the Applicable Percentage.

"Adjusted CD Rate" means a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1% determined by the Administrative Agent according to the following formula:

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Adjusted CD Rate = CD Rate + Assessment Rate + Applicable Percentage

"Adjusted Eurodollar Rate" means the Eurodollar Rate plus the Applicable Percentage.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling or controlled by or under direct or indirect common control with such Person or (ii) directly or indirectly owning or holding five percent (5%) or more of the Capital Stock in such Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Administrative Agent" shall have the meaning assigned to such term in the heading hereof, together with any successors or assigns.

"Applicable Lending Office" means, for each Lender, the office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower by written notice as the office by which its Eurodollar Loans are made and maintained.

"Applicable Percentage" means, for any day, the rate per annum set forth below opposite the applicable Leverage Ratio then in effect, it being understood that the Applicable Percentage for (i) Eurodollar Loans shall be the percentage set forth under the column "Applicable Percentage for Eurodollar Loans", (ii) Base Rate Loans shall be the percentage set forth under the column "Applicable Percentage for Base

Rate Loans", (iii) for Swingline CD Loans shall be the percentage set forth under the column "Applicable Percentage for Swingline CD Loans", (iv) Letter of Credit Fees shall be the percentage set forth under the column "Applicable Percentage for Letter of Credit Fees", (v) Facility Fee shall be the percentage set forth under the column "Applicable Percentage for Facility Fee" and (vi) Utilization Fee shall be the percentage set forth under the column "Applicable Percentage for Utilization Fee":

PRICING LEVEL	LEVERAGE RATIO	APPLICABLE PERCENTAGE FOR EURODOLLAR LOANS	APPLICABLE PERCENTAGE FOR BASE RATE LOANS	APPLICABLE PERCENTAGE FOR SWINGLINE CD LOANS	APPLICABLE PERCENTAGE FOR LETTER OF CREDIT FEES	APPLICABLE PERCENTAGE FOR FACILITY FEES	APPLICABLE PERCENTAGE FOR UTILIZATION FEES
I	< 1.0 to 1.0	.335%	0.0%	.335%	.335%	.115%	.10%
II	< 1.5 to 1.0 but > 1.0 to - 1.0	.375%	0.0%	.375%	.375%	.125%	.125%
III	< 2.5 to 1.0 but > 1.5 to - 1.0	.475%	0.0%	.475%	.475%	.150%	.125%
IV	< 3.0 to 1.0 but > 2.5 1.0 -	.575%	0.0%	.575%	.575%	.175%	.25%
V	> 3.0 to 1.0 -	.775%	0.0%	.775%	.775%	.225%	.25%

provided, however, (A) until the first Calculation Date to occur subsequent to March 31, 2001, 0.25% shall automatically be added to the Applicable Percentage for Eurodollar Loans, the Applicable Percentage for Letter of Credit Fees and the Applicable Percentage for Swingline CD Loans, as applicable, set forth above and (B) commencing with the first Calculation Date to occur subsequent to March 31, 2001, for each day during which the Loans (including the Swingline Loans) outstanding exceed fifty percent (50%) of the Revolving Committed Amount, the Applicable Percentage for Utilization Fees shall automatically be added to the Applicable Percentage for Eurodollar Loans, the Applicable Percentage for Letter of Credit Fees and the Applicable Percentage for Swingline CD Loans, as applicable, set forth above. The Applicable Percentages shall be determined and adjusted quarterly on the date (each a "Calculation Date") five Business Days after the date by which the Borrower is required to provide the officer's certificate in accordance with the provisions of Section 7.1(c) for the most recently ended fiscal quarter of the Consolidated Parties; provided, however, (i) the initial Applicable Percentages shall be based on Pricing Level IV and shall remain in effect at such Pricing Level until the first Calculation Date to occur after the Closing Date, (ii) until the first Calculation Date to occur subsequent to March 31, 2001, the Applicable Percentages shall be based on the higher of (x) Pricing Level IV and (y) the Pricing Level which would otherwise be in effect as determined by the Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Consolidated Parties preceding such Calculation Date and (iii) if the Borrower fails to provide the officer's certificate as required by Section 7.1(c) for the last day of the most recently ended fiscal quarter of the Consolidated Parties subsequent to March 31, 2001, the Applicable Percentage from such Calculation Date shall be based on Pricing Level V until such time as an appropriate officer's certificate is provided, whereupon the Applicable Percentage shall be determined by the Leverage Ratio as of the last day of the

most recently ended fiscal quarter of the Consolidated Parties preceding such Calculation Date. Each Applicable Percentage shall be effective from one

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Calculation Date until the next Calculation Date. Any adjustment in the Applicable Percentages shall be applicable to all existing Loans and Letters of Credit as well as any new Loans made or Letters of Credit issued.

"Assessment Rate" means, for any day, the annual assessment rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) which is payable by Bank of America to the Federal Deposit Insurance Corporation (or any successor) for deposit insurance for Dollar time deposits with Bank of America at the Principal Office as determined by Bank of America. The Adjusted CD Rate shall be adjusted automatically on and as of the effective date of any change in the Assessment Rate.

"Asset Disposition" means the disposition of any or all of the assets (including without limitation the Capital Stock of a Subsidiary) of any Consolidated Party whether by sale, lease, transfer or otherwise (including pursuant to any casualty or condemnation event).

"Attributed Principal Amount" means, on any day, with respect to any Securitization Transaction entered into by a Consolidated Party, the aggregate outstanding amount paid to, or borrowed by, such Consolidated Party as of such date under such Securitization Transaction.

"Bank of America" means Bank of America, N.A. and its successors.

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

"Bankruptcy Event" means, with respect to any Person, the occurrence of any of the following with respect to such Person: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or ordering the winding up or liquidation of its affairs; or (ii) there shall be commenced against such Person an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; or (iii) such Person shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or

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for any substantial part of its Property or make any general assignment for the benefit of creditors; or (iv) such Person shall be unable to, or shall admit in writing its inability to, pay its debts generally as they become due.

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

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

"Borrower" means the Person identified as such in the heading hereof, together with any permitted successors and assigns.

"Burlington" means Burlington Industries, Inc., a Delaware corporation.

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

"Capital Lease" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock" means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) U.S. dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (iii) any bank whose short-term commercial

paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase

agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by the United States of America in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d).

"CD Rate" means, for any Swingline Loan which bears interest at the Adjusted CD Rate, the most recent weekly average dealer offering rate for negotiable certificates of deposit with a three-month maturity in the secondary market as published in the most recent Federal Reserve System publication entitled "Select Interest Rate" published weekly on Form H.15 as of the date hereof, or any successor publication thereof, or if the foregoing publication or any successor or substitute thereof shall not be published by the Federal Reserve System for any week, then the weekly offering rate determined by Bank of America on the basis of quotations for such certificates received by it from three certificate of deposit dealers of recognized standing. Each change in the CD Rate shall be effective on the date thereof, without notice to the Borrower.

"Change of Control" means the occurrence of any of the following events: (i) any Person or two or more Persons acting in concert shall have acquired "beneficial ownership," directly or indirectly, of, or shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, control over, Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 25% or more of the combined voting power of all Voting Stock of the Borrower, or (ii) during any period of up to 24 consecutive months, commencing after the Closing Date, individuals who at the beginning of such 24 month period were directors of the Borrower (together with any new director whose election by the Borrower's Board of Directors or whose nomination for election by the Borrower's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors of the Borrower then in office. As

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used herein, "beneficial ownership" shall have the meaning provided in Rule 13d-3 of the Securities and Exchange Commission under the Securities Act of 1934.

"Closing Date" means the date hereof.

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

"Commitment" means the Revolving Commitment, the Swingline Commitment and the LOC Commitment.

"Consolidated Capital Expenditures" means, for any period, all

capital expenditures of the Consolidated Parties on a consolidated basis for such period, as determined in accordance with GAAP.

"Consolidated EBITDA" means, for any period with respect to the Consolidated Parties on a consolidated basis, the sum of (a) Consolidated Net Income for such period, plus (b) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (i) Consolidated Interest Expense, (ii) total federal, state, local and foreign income, value added and similar taxes and (iii) depreciation and amortization expense and other non-cash charges minus (c) an amount which, in determination of Consolidated Net Income for such period, has been added for non-cash earnings minus (d) prior to April 23, 2003, partnership distributions from UTP to Burlington during such period to the extent such distributions exceed \$9,400,000 during such period.

"Consolidated Interest Expense" means, for any period, all interest expense (including the amortization of debt discount and premium, the interest component under Capital Leases and the implied interest component under Securitization Transactions) of the Consolidated Parties on a consolidated basis for such period, as determined in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income (excluding extraordinary items) after taxes for such period of the Consolidated Parties on a consolidated basis, as determined in accordance with GAAP.

"Consolidated Net Tangible Assets" means, as of any date, the total assets appearing on the most recent consolidated balance sheet of the Consolidated Parties provided pursuant to Section 7.1(a) and (b) and prepared in accordance with GAAP minus (i) all current liabilities (due within one year) of the Consolidated Parties as shown on such balance sheet and (ii) all Intangible Assets and liabilities relating thereto.

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"Consolidated Parties" means a collective reference to the Borrower and its Subsidiaries, and "Consolidated Party" means any one of them.

"Consolidated Tangible Net Worth" means, as of any date, shareholders' equity or net worth of the Consolidated Parties on a consolidated basis minus the net book value of all assets in each case shown as "intangible assets" on a balance sheet of the Consolidated Parties including, without limitation, goodwill, patents, trade names, trademarks, copyrights, franchises, organizational expense and deferred expenses, as determined in accordance with GAAP.

"Credit Documents" means a collective reference to this Credit Agreement, the Notes, the Guaranty Agreement, the LOC Documents, each Joinder Agreement, the Administrative Agent's Fee Letter and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto (in each case as the same may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time), and "Credit Document" means any one of them.

"Credit Parties" means a collective reference to the Borrower and the Guarantors, and "Credit Party" means any one of them.

"Credit Party Obligations" means, without duplication, (i) all of the obligations of the Credit Parties to the Lenders (including the Issuing Lender and the Swingline Lender) and the Administrative Agent,

whenever arising, under this Credit Agreement, the Notes or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a Bankruptcy Event with respect to any Credit Party, regardless of whether such interest is an allowed claim under the Bankruptcy Code) and (ii) all liabilities and obligations, whenever arising, owing from any Credit Party to any Lender, or any Affiliate of a Lender, arising under any Hedging Agreement related to the Revolving Loans.

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

"Defaulting Lender" means, at any time, any Lender that (a) has failed to make a Loan or purchase a Participation Interest required pursuant to the term of this Credit Agreement within one Business Day of when due, (b) other than as set forth in (a) above, has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement within one Business Day of when due, unless such amount is subject to a good faith dispute or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or with respect to which (or with respect to any of assets of which) a receiver, trustee or similar official has been appointed.

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"Documentation Agent" shall have the meaning assigned to such term in the heading hereof.

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

"Domestic Subsidiary" means, with respect to any Person, any Subsidiary of such Person which is incorporated or organized under the laws of any State of the United States or the District of Columbia.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Administrative Agent, the Issuing Lender and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 11.3, the Borrower (such approval not to be unreasonably withheld or delayed by the Borrower and such approval to be deemed given by the Borrower if no objection is received by the assigning Lender and the Administrative Agent from the Borrower within two Business Days after notice of such proposed assignment has been provided by the assigning Lender to the Borrower); provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

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

"Equity Issuance" means any issuance by any Consolidated Party to any Person which is not a Credit Party of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of

options or warrants or (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity.

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

"ERISA Affiliate" means an entity which is under common control with any Consolidated Party within the meaning of Section 4001(a)(14) of ERISA, or is a member

of a group which includes any Consolidated Party and which is treated as a single employer under Sections 414(b) or (c) of the Code.

"ERISA Event" means (i) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (ii) the withdrawal by any Consolidated Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (iii) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (iv) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (vi) the complete or partial withdrawal of any Consolidated Party or any ERISA Affiliate from a Multiemployer Plan; (vii) the conditions for imposition of a lien under Section 302(f) of ERISA exist with respect to any Plan; or (viii) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA.

"Eurodollar Loan" means any Loan that bears interest at a rate based upon the Eurodollar Rate.

"Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Administrative Agent to be equal to the quotient obtained by dividing (a) the Interbank Offered Rate for such Eurodollar Loan for such Interest Period by (b) 1 minus the Eurodollar Reserve Requirement for such Eurodollar Loan for such Interest Period.

"Eurodollar Reserve Requirement" means, at any time, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurodollar liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Eurodollar Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Loans. The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Requirement.

"Event of Default" shall have the meaning as defined in Section 9.1.

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"Existing Letter of Credit" means the letters of credit described by date of issuance, letter of credit number, undrawn amount, name of beneficiary and date of expiry on Schedule 1.1(b) hereto.

"Facility Fee" shall have the meaning assigned to such term in Section 3.5(a).

"Fees" means all fees payable pursuant to Section 3.5.

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

"Foreign Subsidiary" means, with respect to any Person, any Subsidiary of such Person which is not a Domestic Subsidiary of such Person.

"Funded Indebtedness" means, with respect to any Person, without duplication, (a) all Indebtedness of such Person other than Indebtedness of the types referred to in clause (e), (f), (g), (i), and (l) of the definition of "Indebtedness" set forth in this Section 1.1, (b) all Indebtedness of another Person of the type referred to in clause (a) above secured by (or for which the holder of such Funded Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (c) all Guaranty Obligations of such Person with respect to Indebtedness of the type referred to in clause (a) above of another Person and (d) Indebtedness of the type referred to in clause (a) above of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer.

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

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

"Guarantor" means a collective reference to UTP and each of the Subsidiary Guarantors.

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"Guaranty Agreement" means that certain Guaranty Agreement dated as of the date hereof given by UTP in favor of the Administrative Agent and the Lenders, as amended, modified, supplemented or restated from time to time.

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

"Hedging Agreements" means any interest rate protection agreement or foreign currency exchange agreement.

"Immaterial Subsidiary" means any Subsidiary of a Credit Party in which (a) the portion of Consolidated EBITDA for the twelve month period most recently ending attributable to such Subsidiary does not exceed 5% of Consolidated EBITDA for such period and (b) the assets of such Subsidiary do not constitute more than 5% of Total Assets, as of the end of the most recent fiscal quarter of the Borrower.

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Indebtedness of others secured by (or for which

the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person, (h) the principal portion of all obligations of such Person under Capital Leases, (i) all obligations of such Person under Hedging Agreements, (j) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without

duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) the principal portion of all obligations of such Person under Synthetic Leases, (l) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer, (m) all preferred Capital Stock issued by such Person and required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date, and (n) the outstanding Attributed Principal Amount under any Securitization Transaction.

"Indenture" means that certain Indenture dated as of February 5, 1998 between the Borrower and First Union National Bank, as trustee, as amended, modified or supplemented from time to time.

"Intangible Assets" means, as of any date, the value, as shown on or reflected in the most recent consolidated balance sheet of the Consolidated Parties provided pursuant to Section 7.1(a) and (b) and prepared in accordance with GAAP, of: (i) all trade names, trademarks, licenses, patents, copyrights, service marks, goodwill and other like intangibles; (ii) organizational and development costs; (iii) deferred charges (other than prepaid items, such as insurance, taxes, interest, commission, rents, pensions, compensation and similar items and intangible assets being amortized) and (iv) unamortized debt discount and expense, less unamortized premium.

"Interbank Offered Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Interbank Offered Rate" shall mean, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Interest Coverage Ratio" means, with respect to the Consolidated Parties on a consolidated basis for the twelve month period ending on the last day of any fiscal

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quarter, the ratio of (a) Consolidated EBITDA for such period minus Consolidated Capital Expenditures for such period to (b) Consolidated Interest Expense for such period.

"Interest Payment Date" means (a) as to Base Rate Loans, the last Business Day of each March, June, September and December, the date of repayment of principal of such Loan and the Maturity Date, (b) as to Eurodollar Loans, the last Business Day of each applicable Interest Period, the date of repayment of principal of such Loan and the Maturity Date, and in addition where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also the date three months from the beginning of the Interest Period and each three months thereafter and (c) as to Swingline Loans, the last Business Day of each March, June, September and December, the date of repayment of principal of such Swingline Loan and the Maturity Date.

"Interest Period" means, as to Eurodollar Loans, a period of one, two, three or six months' duration, as the Borrower may elect, commencing, in each case, on the date of the borrowing (including continuations and conversions thereof); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the Maturity Date, and (c) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

"Investment" means (a) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of assets, Capital Stock, bonds, notes, debentures, partnership, joint ventures or other ownership interests or other securities of any Person or (b) any deposit with, or advance, loan or other extension of credit to, any Person (other than deposits made in connection with the purchase of equipment or other assets in the ordinary course of business) or (c) any other capital contribution to or investment in any Person, including, without limitation, any Guaranty Obligations (including any support for a letter of credit issued on behalf of such Person) incurred for the benefit of such Person.

"ISP98" shall have the meaning assigned to such term in Section 2.2(h).

"Issuing Lender" means Bank of America.

"Issuing Lender Fees" shall have the meaning assigned to such term in Section 3.5(c)(ii).

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"Joinder Agreement" means a Joinder Agreement substantially in the form of Exhibit 7.12 hereto, executed and delivered by an Additional Credit Party in accordance with the provisions of Section 7.12.

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

"Letter of Credit" means (i) any letter of credit issued by the Issuing Lender for the account of the Borrower in accordance with the terms of Section 2.2 and (ii) any Existing Letter of Credit.

"Letter of Credit Fee" shall have the meaning assigned to such term in Section 3.5(b).

"Leverage Ratio" means, with respect to the Consolidated Parties on a consolidated basis for the twelve month period ending on the last day of any fiscal quarter, the ratio of (a) Funded Indebtedness of the Consolidated Parties on a consolidated basis on the last day of such period to (b) Consolidated EBITDA for such period.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice

filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Loan" or "Loans" means the Revolving Loans (or a portion of any Revolving Loan bearing interest at the Adjusted Base Rate or the Adjusted Eurodollar Rate) and/or any Swingline Loans, individually or collectively, as appropriate.

"LOC Commitment" means the commitment of the Issuing Lender to issue Letters of Credit, and to honor payment obligations under, Letters of Credit hereunder in an aggregate face amount at any time outstanding (together with the amounts of any unreimbursed drawings thereon) of up to the LOC Committed Amount and with respect to each Lender, the commitment of each Lender to purchase participation interests in the Letters of Credit.

"LOC Committed Amount" means TEN MILLION DOLLARS (\$10,000,000).

"LOC Documents" means, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any

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application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

"LOC Obligations" means, at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Lender but not theretofore reimbursed by the Borrower.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, assets, property, condition (financial or otherwise), liabilities or prospects of the Borrower and its Subsidiaries taken as a whole, (b) the ability of any Credit Party to perform any material obligation under the Credit Documents to which it is a party or (c) the material rights and remedies of the Lenders under the Credit Documents.

"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Material Subsidiary" means any Subsidiary of a Credit Party in which (a) the portion of Consolidated EBITDA for the twelve month period most recently ending attributable to such Subsidiary exceeds 5% of Consolidated EBITDA for such period or (b) the assets of such Subsidiary constitute more than 5% of Total Assets, as of the end of the most recent fiscal quarter of the Borrower.

"Maturity Date" means December 20, 2003.

"Moody's" means Moody's Investors Service, Inc., or any

successor or assignee of the business of such company in the business of rating securities.

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

"Multiple Employer Plan" means a Plan which any Consolidated Party or any ERISA Affiliate and at least one employer other than the Consolidated Parties or any ERISA Affiliate are contributing sponsors.

"Net Cash Proceeds" means the aggregate cash proceeds received by the Consolidated Parties in respect of any Equity Issuance, net of (a) direct costs (including, without limitation, legal, accounting and investment banking fees, and sales

commissions) and (b) taxes paid or payable as a result thereof; it being understood that "Net Cash Proceeds" shall include, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received by the Consolidated Parties in any Equity Issuance.

"Note" or "Notes" means the Revolving Notes and/or the Swingline Notes, individually or collectively, as appropriate.

"Notice of Borrowing" means a written notice of borrowing in substantially the form of Exhibit 2.1(b)(i), as required by Section 2.1(b)(i).

"Notice of Extension/Conversion" means the written notice of extension or conversion in substantially the form of Exhibit 3.2, as required by Section 3.2.

"Operating Lease" means, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any Property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Other Taxes" shall have the meaning assigned to such term in Section 3.11.

"Participation Interest" means a purchase by a Lender of a participation in Letters of Credit or LOC Obligations as provided in Section 2.2, in Swingline Loans as provided in Section 2.3 or in any Loans as provided in Section 3.14.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereof.

"Permitted Acquisition" means an Acquisition by the Borrower or any Subsidiary of the Borrower for consideration no greater than the fair market value of the Capital Stock or Property acquired, provided that (i) the Property acquired (or the Property of the Person acquired) in such Acquisition is used or useful in the same or a substantially similar line of business as the Borrower is engaged in on the Closing Date, (ii) the Administrative Agent shall have received all items in respect of the Acquisition required to be delivered by the terms of Section 7.12(a), (iii) in the case of an Acquisition of the Capital Stock of another Person, the board of directors (or other comparable governing body) of such other Person shall have duly approved such Acquisition, (iv) the representations and warranties made by the Credit Parties in any Credit Document shall be true and correct in all

material respects at and as if made as of the date of such Acquisition (after giving effect thereto) except to the extent such representations and warranties expressly relate to an earlier date, (v) after giving effect to such Acquisition, the aggregate cash consideration for all such Acquisitions occurring subsequent to the Closing Date shall not exceed \$125,000,000 and (vi) immediately prior to and after giving effect to such Acquisition, no Default or Event of Default shall exist.

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"Permitted Investments" means Investments which are either (i) cash and Cash Equivalents; (ii) accounts receivable created, acquired or made by any Consolidated Party in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (iii) Investments consisting of Capital Stock, obligations, securities or other property received by any Consolidated Party in settlement of accounts receivable (created in the ordinary course of business) from bankrupt obligors; (iv) Investments by one Credit Party in another Credit Party (other than UTP); (v) Investments by any Credit Party in UTP to the extent permitted by Section 8.1(d); (vi) Permitted Acquisitions; (vii) Investments by any Credit Party in a SPE in connection with any Securitization Transaction permitted by Section 8.1(f); and (viii) other loans, advances and Investments of a nature not contemplated in the foregoing subsections in an aggregate amount not to exceed an amount equal to 30% of Consolidated Net Tangible Assets, provided, that, at the time of any such loan, advance or Investment, the Borrower shall have a Senior Debt Rating of at least BBB-.

"Permitted Liens" means:

(i) Liens (other than Liens created or imposed under ERISA) for taxes, assessments or governmental charges or levies not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, provided that such Liens secure only amounts not yet due and payable or, if due and payable, are unfiled and no other action has been taken to enforce the same or are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iii) Liens (other than Liens created or imposed under ERISA) incurred or deposits made by any Consolidated Party in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

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(iv) Liens in connection with attachments or judgments (including judgment or appeal bonds) provided that the judgments secured shall, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall have been discharged within 60 days after the expiration of any such stay;

(v) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered Property for its intended purposes;

(vi) Liens on Property securing purchase money Indebtedness (including Capital Leases and Synthetic Leases) to the extent permitted under Section 8.1(b), provided that any such Lien attaches to such Property concurrently with or within 90 days after the acquisition thereof;

(vii) leases or subleases granted to others not interfering in any material respect with the business of any Consolidated Party;

(viii) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Credit Agreement;

(ix) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(x) Liens of a collecting bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection;

(xi) Liens existing as of the Closing Date and set forth on Schedule 1.1(a); provided that no such Lien shall at any time be extended to or cover any Property other than the Property subject thereto on the Closing Date; and

(xii) Liens created or deemed to exist in connection with any Securitization Transaction permitted under Section 8.1(f), but only to the extent that any such Lien relates to the applicable accounts receivables actually sold, contributed or otherwise conveyed pursuant to such Securitization Transaction.

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

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

"Prime Rate" means the per annum rate of interest established from time to time by Bank of America as its prime rate, which rate may

not be the lowest rate of interest charged by Bank of America to its customers.

"Principal Office" means the principal office of Bank of America, presently located at Charlotte, North Carolina.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Register" shall have the meaning given such term in Section 11.3(c).

"Regulation T, U, or X" means Regulation T, U or X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers and other closed receptacles) of any Materials of Environmental Concern.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"Required Lenders" means, Lenders which are then in compliance with their obligations hereunder (as determined by the Administrative Agent) and holding in the aggregate more than 50% of (i) the Commitments (and Participation Interests therein), or (ii) if the Commitments have been terminated, the outstanding Loans and Participation Interests (including the Participation Interests of the Issuing Lender in any Letter of Credit).

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

"Restricted Payment" means (i) any dividend or other payment or distribution, direct or indirect, on account of any shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding (including without limitation any payment in connection with any merger or consolidation involving any Consolidated Party), or to the direct or indirect holders of any shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding, in their capacity as such (other than dividends or distributions payable in the same class of Capital Stock of the applicable Person or to any Credit Party (directly or indirectly through Subsidiaries), (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding and (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding.

"Revolving Commitment" means, with respect to each Lender, the commitment of such Lender in an aggregate principal amount at any time outstanding of up to such Lender's Revolving Commitment Percentage of

the Revolving Committed Amount, (i) to make Revolving Loans in accordance with the provisions of Section 2.1(a) and (ii) to purchase Participation Interests in Letters of Credit in accordance with the provisions of Section 2.2(c).

"Revolving Commitment Percentage" means, for any Lender, the percentage identified as its Revolving Commitment Percentage on Schedule 2.1(a), as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 11.3.

"Revolving Committed Amount" means TWO HUNDRED FIFTY MILLION DOLLARS (\$250,000,000), as such amount may be reduced pursuant to Section 3.4 or increased pursuant to Section 2.1(f).

"Revolving Loans" shall have the meaning assigned to such term in Section 2.1(a).

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

"Revolving Obligations" means, collectively, the Revolving Loans, the Swingline Loans and the LOC Obligations.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or any successor or assignee of the business of such division in the business of rating securities.

"Securitization Transaction" means any receivables financing in which any Credit Party sells, conveys or otherwise transfers any account receivables or interests therein and certain property related thereto and proceeds thereof (collectively, the "Transferred Assets") to one or more SPEs and which one of such SPEs then either sells and/or grants a security interest in such Transferred Assets as security for a loan, to any Person that is not a Subsidiary or Affiliate of the Borrower.

"Senior Debt Rating" means the higher of the publicly announced ratings by S&P and Moody's for the senior unsecured (non-credit enhanced) long term debt of the Borrower.

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

"Solvent" or "Solvency" means, with respect to any Person as of a particular date, that on such date (i) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (ii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (iii) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's Property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (iv) the fair value of the Property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (v) the present fair salable value of

the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPE" means, in respect of any Securitization Transaction, any Subsidiary of any Credit Party to which any Credit Party sells, contributes or otherwise conveys any Transferred Assets in connection with such Securitization Transaction.

"Subsidiary" means, as to any Person at any time, (a) any corporation more than 50% of whose Capital Stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at such time, any class or classes of such corporation shall have or might

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have voting power by reason of the happening of any contingency) is at such time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, association, joint venture or other entity of which such Person directly or indirectly through Subsidiaries owns at such time more than 50% of the Capital Stock.

"Subsidiary Guarantor" means each of the Persons identified as a "Subsidiary Guarantor" on the signature pages hereto and each Additional Credit Party which may hereafter execute a Joinder Agreement, together with their successors and permitted assigns, and "Subsidiary Guarantor" means any one of them.

"Swingline CD Loans" means any Swingline Loan that bears interest at a rate based upon the Adjusted CD Rate.

"Swingline Committed Amount" means TWENTY MILLION DOLLARS (\$20,000,000).

"Swingline Lender" means Bank of America, together with any successors or assigns.

"Swingline Loan Request" means a request by the Borrower for a Swingline Loan in substantially the form of Exhibit 2.3(b).

"Swingline Loans" means the loans made by the Swingline Lender pursuant to Section 2.3.

"Swingline Note" means the promissory note of the Borrower in favor of the Swingline Lender evidencing the Swingline Loans provided pursuant to Section 2.3, as such promissory note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

"Syndication Agent" shall have the meaning assigned to such term in the heading hereof.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease.

"Taxes" shall have the meaning assigned to such term in Section 3.11.

"Total Assets" means, as of any date, all items, which in accordance with GAAP, would be classified as assets of the Consolidated Parties on a consolidated basis.

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"Transferred Assets" shall have the meaning assigned to such term in the definition of "Securitization Transaction" set forth in this Section 1.1.

"Unifi Manufacturing" means Unifi Manufacturing, Inc., a North Carolina corporation.

"Unifi Technology" means Unifi Technology Group, Inc., a North Carolina corporation.

"Utilization Fee" means the percent per annum set forth in the column "Applicable Percentage for Utilization Fees" in the definition of "Applicable Percentage", which shall be calculated as set forth in the definition of "Applicable Percentage".

"UTP" means Unifi Textured Polyester, LLC, a North Carolina limited liability company.

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

1.2 COMPUTATION OF TIME PERIODS.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

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1.3 ACCOUNTING TERMS.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 7.1 (or, prior to the delivery of the first financial statements pursuant to Section 7.1, consistent with the financial statements as at June 25, 2000); provided, however, if (a) the Credit Parties shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in GAAP or the rules promulgated with respect thereto or (b) the Administrative Agent or the Required Lenders shall so object in writing within 60 days after delivery of such financial statements, then such calculations shall be made on a basis consistent with the most recent financial statements delivered by the Credit Parties to the Lenders as to which no such objection shall have been made.

Notwithstanding the above, the parties hereto acknowledge and agree

that, for purposes of the calculation of the Leverage Ratio pursuant to Section 7.11(ii), income statement items (whether positive or negative) attributable to the Property acquired in any Permitted Acquisition and any Indebtedness incurred by the Borrower or any of its Subsidiaries in order to consummate such Permitted Acquisition shall be included to the extent relating to any period applicable in such calculations occurring after the date of such Permitted Acquisition (and, notwithstanding the foregoing, during the first four fiscal quarters following the date of such Permitted Acquisition, such Permitted Acquisition and any Indebtedness incurred by the Borrower or any of its Subsidiaries in order to consummate such Permitted Acquisition shall be deemed to have occurred on the first day of the four fiscal quarter period immediately preceding the date of such Permitted Acquisition).

SECTION 2

CREDIT FACILITIES

2.1 REVOLVING LOANS.

(a) Revolving Commitment. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make available to the Borrower such Lender's Revolving Commitment Percentage of revolving credit loans requested by the Borrower in Dollars ("Revolving Loans") from time to time from the Closing Date until the Maturity Date, or such earlier date as the Revolving Commitments shall have been terminated as provided herein; provided, however, that (i) with regard to the Lenders collectively, the aggregate principal amount of Revolving Loans outstanding plus LOC Obligations outstanding plus Swingline Loans outstanding shall not exceed the Revolving

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Committed Amount and (ii) with regard to each Lender individually, such Lender's pro rata share of outstanding Revolving Loans plus such Lender's pro rata share of LOC Obligations outstanding plus (other than the Swingline Lender) such Lender's pro rata share of Swingline Loans outstanding shall not exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount. Revolving Loans may consist of Base Rate Loans or Eurodollar Loans, or a combination thereof, as the Borrower may request; provided, however, that no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period). Revolving Loans hereunder may be repaid and reborrowed in accordance with the provisions hereof.

(b) Revolving Loan Borrowings.

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

specify in any such Notice of Borrowing (I) an applicable Interest Period in the case of a Eurodollar Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Revolving Loan requested, then such notice shall be deemed to be a request for a Base Rate Loan hereunder. The Administrative Agent shall give notice to each affected Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.1(b)(i), the contents thereof and each such Lender's share of any borrowing to be made pursuant thereto.

(ii) Minimum Amounts. Each Base Rate Loan that is a Revolving Loan shall be in a minimum aggregate principal amount of \$5,000,000 and integral multiples of \$500,000 in excess thereof (or the remaining amount of the Revolving Committed Amount, if less) and each Eurodollar Loan that is a Revolving Loan shall be in a minimum aggregate principal amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof (or the remaining amount of the Revolving Committed Amount, if less).

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(iii) Advances. Each Lender will make its Revolving Commitment Percentage of each Revolving Loan borrowing available to the Administrative Agent for the account of the Borrower as specified in Section 3.15(a), or in such other manner as the Administrative Agent may specify in writing, by 1:00 P.M. (Charlotte, North Carolina time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

(c) Repayment. The principal amount of all Revolving Loans shall be due and payable in full on the Maturity Date, unless accelerated sooner pursuant to Section 9.2.

(d) Interest. Subject to the provisions of Section 3.1,

(i) Base Rate Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Base Rate Loans, such Base Rate Loans shall bear interest at a per annum rate equal to the Adjusted Base Rate.

(ii) Eurodollar Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Eurodollar Loans, such Eurodollar Loans shall bear interest at a per annum rate equal to the Adjusted Eurodollar Rate.

Interest on Revolving Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

(e) Revolving Notes. The Revolving Loans made by each Lender shall be evidenced by a duly executed promissory note of the Borrower to such Lender in an original principal amount equal to such Lender's Revolving Commitment Percentage of the Revolving Committed Amount and in substantially the form of Exhibit 2.1(e).

(f) Increase of Revolving Committed Amount. The Borrower

shall have the right to increase the Revolving Committed Amount in one or more separate increases prior to the Maturity Date; provided that the ability of the Borrower to effect any such increase shall be subject to the following terms and conditions:

(i) no Event of Default shall have occurred and be continuing on the date on which such Revolving Committed Amount increase is to become effective;

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(ii) the representations and warranties set forth in Section 6 of this Credit Agreement shall be true and correct in all material respects on and as of the date on which such increase is to become effective (except for those which expressly relate to an earlier date);

(iii) such increase must be in a minimum amount of \$10,000,000 and in integral multiples of \$5,000,000 above the then existing Revolving Committed Amount;

(iv) the Revolving Committed Amount may not be increased to an amount greater than THREE HUNDRED MILLION DOLLARS (\$300,000,000);

(v) on or before the date on which such increase is to become effective, the Administrative Agent shall have received (A) for its own account, the mutually acceptable fees and expenses paid in connection with such increase and (B) for the account of each Person providing the increase in the Revolving Committed Amount, a commitment fee on the amount of such increase in an amount to be determined at such time;

(vi) any such increase in the Revolving Committed Amount shall be applied to (A) upon any existing Lender's written consent, the Revolving Commitment of one or more existing Lenders and/or (B) one or more institutions that is not an existing Lender (each, a "New Lender"); provided that (x) each New Lender is an Eligible Assignee and (y) if applicable, such New Lender becomes a Lender hereunder pursuant to the execution and delivery of an appropriate joinder agreement or of counterparts to this Credit Agreement in a manner acceptable to the Borrower and the Administrative Agent;

(vii) if any Loans are outstanding at the time of the increase in the Revolving Committed Amount, the Borrower shall, if applicable, prepay one or more existing Loans (such prepayment to be subject to Section 3.12) in an amount necessary such that after giving effect to the increase in the Revolving Committed Amount, each Lender will hold its pro rata share (based on its Revolving Commitment Percentage of the increased Revolving Committed Amount) of outstanding Loans;

(viii) the Borrower shall execute and deliver such Note(s) in favor of any New Lenders as are necessary; and

(ix) Schedule 2.1(a) hereto shall be amended to reflect the revised Revolving Commitment Percentages and Commitments of the Lenders.

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2.2 LETTER OF CREDIT SUBFACILITY.

(a) Issuance. Subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the Issuing Lender may reasonably require and in reliance upon the representations and warranties set forth herein, the Issuing Lender agrees to issue, and each Lender severally agrees to participate in the issuance by the Issuing Lender of Letters of Credit in Dollars from time to time from the Closing Date until the Maturity Date as the Borrower may request, in a form acceptable to the Issuing Lender; provided, however, that (i) the LOC Obligations outstanding shall not at any time exceed the LOC Committed Amount, (ii) with regard to the Lenders collectively, the aggregate principal amount of Revolving Loans outstanding plus LOC Obligations outstanding plus Swingline Loans outstanding shall not exceed the Revolving Committed Amount and (iii) with regard to each Lender individually, such Lender's pro rata share of outstanding Revolving Loan plus such Lender's pro rata share of LOC Obligations outstanding plus (other than the Swingline Lender) such Lender's pro rata share of Swingline Loans outstanding shall not exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount. No Letter of Credit shall (x) have an original expiry date more than one year from the date of issuance or (y) as originally issued or as extended, have an expiry date extending beyond the Maturity Date. Each Letter of Credit (1) shall comply with the related LOC Documents and (2) may be issued only for the purposes set forth in Section 6.14 hereof. The issuance and expiry dates of each Letter of Credit shall be a Business Day.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted by the Borrower to the Issuing Lender at least three (3) Business Days prior to the requested date of issuance. The Issuing Lender will, at least quarterly and more frequently upon request, disseminate to each of the Lenders a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the beneficiary, the face amount and the expiry date, as well as any payment or expirations which may have occurred.

(c) Participation.

(i) On the Closing Date, each Lender shall automatically acquire a participation in the liability of the Issuing Lender under each Existing Letter of Credit in an amount equal to its pro rata share of the obligations under such Existing Letter of Credit (based on the respective Revolving Commitment Percentages of the Lenders) and shall absolutely, unconditionally and irrevocably assume and be obligated to pay to the Issuing Lender and discharge when due, its pro rata share of the obligations arising under such Existing Letter of Credit. Each Existing Letter of Credit shall be deemed for all purposes of this Credit Agreement and the other Credit Documents to be a Letter of Credit.

(ii) Each Lender, upon issuance of a Letter of Credit, shall be deemed to have purchased without recourse a Participation Interest from the Issuing Lender in such Letter of Credit and the obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its pro rata share of the obligations under such Letter of Credit (based on the respective Revolving Commitment Percentages of the Lenders) and shall absolutely,

unconditionally and irrevocably assume and be obligated to pay to the Issuing Lender and discharge when due, its pro rata share of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Lender's Participation Interest in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed as required hereunder or under any such Letter of Credit, each such Lender shall pay to the Issuing Lender its pro rata share of such unreimbursed drawing in same day funds on the day of notification by the Issuing Lender of an unreimbursed drawing pursuant to the provisions of subsection (d) below. The obligation of each Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Lender under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement. In the event of any drawing under any Letter of Credit, the Issuing Lender will promptly notify the Borrower. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to otherwise reimburse the Issuing Lender for such drawing, the Borrower shall be deemed to have requested that the Lenders make a Revolving Loan in the amount of the drawing as provided in subsection (e) below on the related Letter of Credit, the proceeds of which will be used to satisfy the related reimbursement obligations. The Borrower promises to reimburse the Issuing Lender on the day of drawing under any Letter of Credit (either with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds. If the Borrower shall fail to reimburse the Issuing Lender as provided hereinabove, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the Adjusted Base Rate plus 2%. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of setoff, counterclaim or defense to payment the Borrower may claim or have against the Issuing Lender, the Administrative Agent, the Lenders, the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of the Borrower or any other Credit Party to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The Issuing Lender will promptly notify the other Lenders of the amount of any unreimbursed drawing and each Lender shall promptly pay to the Administrative Agent for the account of the Issuing Lender in Dollars and in immediately available funds, the amount of such Lender's pro rata share of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Lender from the Issuing Lender if such notice is received at or

before 2:00 P.M. (Charlotte, North Carolina time) otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. If such Lender does not pay such amount to the Issuing Lender in full upon such request, such Lender shall, on demand, pay to the Administrative Agent for the account of the Issuing Lender interest on the unpaid amount during the period from the date of such drawing until such Lender pays such amount to the Issuing Lender in full at a rate per annum equal to, if paid within two (2) Business Days of the date that such Lender is required to make payments of such amount pursuant to the preceding sentence, the Federal Funds Rate and thereafter at a rate equal to the Base Rate. Each Lender's obligation to make such payment to the Issuing Lender, and the right of the Issuing Lender to receive the same, shall be absolute and

unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Credit Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the obligations of the Borrower hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever. Simultaneously with the making of each such payment by a Lender to the Issuing Lender, such Lender shall, automatically and without any further action on the part of the Issuing Lender or such Lender, acquire a Participation Interest in an amount equal to such payment (excluding the portion of such payment constituting interest owing to the Issuing Lender) in the related unreimbursed drawing portion of the LOC Obligation and in the interest thereon and in the related LOC Documents, and shall have a claim against the Borrower with respect thereto.

(e) Repayment with Revolving Loans. On any day on which the Borrower shall have requested, or been deemed to have requested, a Revolving Loan advance to reimburse a drawing under a Letter of Credit, the Administrative Agent shall give notice to the Lenders that a Revolving Loan has been requested or deemed requested by the Borrower to be made in connection with a drawing under a Letter of Credit, in which case a Revolving Loan advance comprised of Base Rate Loans (or Eurodollar Loans to the extent the Borrower has complied with the procedures of Section 2.1(b)(i) with respect thereto) shall be immediately made to the Borrower by all Lenders (notwithstanding any termination of the Commitments pursuant to Section 9.2) pro rata based on the respective Revolving Commitment Percentages of the Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.2) and the proceeds thereof shall be paid directly to the Issuing Lender for application to the respective LOC Obligations. Each such Lender hereby irrevocably agrees to make its pro rata share of each such Revolving Loan immediately upon any such request or deemed request in the amount, in the manner and on the date specified in the preceding sentence notwithstanding (i) the amount of such borrowing may not comply with the minimum amount for advances of Revolving Loans otherwise required hereunder, (ii) whether any conditions specified in Section 5.2 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) failure for any such request or deemed request for Revolving Loan to be made by the time otherwise required hereunder, (v) whether the date of such borrowing is a date on which Revolving Loans are otherwise permitted to be made

hereunder or (vi) any termination of the Commitments relating thereto immediately prior to or contemporaneously with such borrowing. In the event that any Revolving Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower or any other Credit Party), then each such Lender hereby agrees that it shall forthwith purchase (as of the date such borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Issuing Lender such Participation Interests in the outstanding LOC Obligations as shall be necessary to cause each such Lender to share in such LOC Obligations ratably (based upon the respective Revolving Commitment Percentages of the Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.2)), provided that at the time any purchase of Participation Interests pursuant to this sentence is actually made, the purchasing Lender shall be required to pay to the Issuing Lender, to the extent not paid to the Issuer by the Borrower in accordance with the terms of subsection (d) above, interest on the principal amount of Participation Interests purchased for each day from and including the day upon which such borrowing would otherwise have occurred to but excluding the date

of payment for such Participation Interests, at the rate equal to, if paid within two (2) Business Days of the date of the Revolving Loan advance, the Federal Funds Rate, and thereafter at a rate equal to the Base Rate.

(f) Designation of Credit Parties as Account Parties. Notwithstanding anything to the contrary set forth in this Credit Agreement, including without limitation Section 2.2(a), a Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account of a Credit Party other than the Borrower, provided that notwithstanding such statement, the Borrower shall be the actual account party for all purposes of this Credit Agreement for such Letter of Credit and such statement shall not affect the Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

(g) Renewal, Extension. The renewal or extension of any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(h) Uniform Customs and Practices. The Issuing Lender may have the Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits (the "UCP") or the International Standby Practices 1998 (the "ISP98"), in either case, as published as of the date of issue by the International Chamber of Commerce, in which case the UCP or ISP98 may be incorporated therein and deemed in all respects to be a part thereof.

(i) Indemnification; Nature of Issuing Lender's Duties.

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(i) In addition to its other obligations under this Section 2.2, the Borrower hereby agrees to pay, and protect, indemnify and save each Lender harmless from and against, any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that such Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of such Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called "Government Acts").

(ii) As between the Borrower and the Lenders (including the Issuing Lender), the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. No Lender (including the Issuing Lender) shall be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (D) for any loss or delay in the transmission or otherwise of any document required in

order to make a drawing under a Letter of Credit or of the proceeds thereof; and (E) for any consequences arising from causes beyond the control of such Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Issuing Lender's rights or powers hereunder.

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any Lender (including the Issuing Lender), under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such Lender under any resulting liability to the Borrower or any other Credit Party. It is the intention of the parties that this Credit Agreement shall be construed and applied to protect and indemnify each Lender (including the Issuing Lender) against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower (on behalf of itself and each of the other Credit Parties), including, without limitation, any and all Government Acts. No Lender (including the Issuing Lender) shall, in any way, be liable for any failure by such Lender or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of such Lender.

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(iv) Nothing in this subsection (i) is intended to limit the reimbursement obligations of the Borrower contained in subsection (d) above. The obligations of the Borrower under this subsection (i) shall survive the termination of this Credit Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Lenders (including the Issuing Lender) to enforce any right, power or benefit under this Credit Agreement.

(v) Notwithstanding anything to the contrary contained in this subsection (i), the Borrower shall have no obligation to indemnify any Lender (including the Issuing Lender) in respect of any liability incurred by such Lender (A) arising solely out of the gross negligence or willful misconduct of such Lender, as determined by a court of competent jurisdiction, or (B) caused by such Lender's failure to pay under any Letter of Credit after presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit, as determined by a court of competent jurisdiction, unless such payment is prohibited by any law, regulation, court order or decree.

(j) Responsibility of Issuing Lender. It is expressly understood and agreed that the obligations of the Issuing Lender hereunder to the Lenders are only those expressly set forth in this Credit Agreement and that the Issuing Lender shall be entitled to assume that the conditions precedent set forth in Section 5.2 have been satisfied unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this Section 2.2 shall be deemed to prejudice the right of any Lender to recover from the Issuing Lender any amounts made available by such Lender to the Issuing Lender pursuant to this Section 2.2 in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit constituted gross negligence or willful misconduct on the part of the

Issuing Lender.

(k) Conflict with LOC Documents. In the event of any conflict between this Credit Agreement and any LOC Document (including any letter of credit application), this Credit Agreement shall control.

2.3 SWINGLINE LOANS SUBFACILITY.

(a) Swingline Loans. Subject to the terms and conditions set forth herein and in the other Credit Documents and in reliance upon the representations and warranties set forth herein, the Swingline Lender hereby agrees, to make loans to the Borrower in Dollars at any time and from time to time from the Closing Date to but not including the Maturity Date, or such earlier date as the Revolving Commitments shall have been terminated as provided herein (each such loan, a "Swingline Loan" and collectively, the "Swingline Loans"); provided that (i) the aggregate principal amount of the Swingline Loans outstanding at any one time shall not exceed the Swingline Committed Amount

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and (ii) with regard to the Lenders collectively, the aggregate principal amount of Revolving Loans outstanding plus LOC Obligations outstanding plus Swingline Loans outstanding shall not exceed the Revolving Committed Amount. Prior to the Maturity Date, Swingline Loans may be repaid and reborrowed by the Borrower in accordance with the provisions hereof.

(b) Method of Borrowing and Funding Swingline Loans. By no later than 1:00 p.m. (Charlotte, North Carolina time), on the date of the requested borrowing of Swingline Loans, the Borrower shall telephone the Swingline Lender as well as submit a Swingline Loan Request to the Swingline Lender in the form of Exhibit 2.3(b) setting forth (i) the amount of the requested Swingline Loan, (ii) whether the Swingline Loan shall bear interest at the Adjusted Base Rate or the Adjusted CD Rate and (iii) the date of the requested Swingline Loan and complying in all respects with Section 5.2. The Swingline Lender shall initiate the transfer of funds representing the Swingline Loan advance to the Borrower by 3:00 p.m. on the Business Day of the requested borrowing. Each Swingline Loan shall be in a minimum amount of \$250,000 and in integral multiples of \$50,000 in excess thereof.

(c) Repayment and Participations of Swingline Loans. The principal amount of all Swingline Loans shall be due and payable on the earlier of (i) a date not more than fourteen (14) Business Days from the date of advance thereof and (ii) the Maturity Date. Each repayment of a Swingline Loan may be accomplished by requesting Revolving Loans which request is not subject to the conditions set forth in Section 5.2. In the event that the Borrower shall fail to timely repay any Swingline Loan, and in any event upon (i) a request by the Swingline Lender, (ii) the occurrence of an Event of Default described in Section 9.1(f) or (iii) the acceleration of any Loan or termination of any Commitment pursuant to Section 9.2, each other Lender shall irrevocably and unconditionally purchase from the Swingline Lender, without recourse or warranty, an undivided interest and participation in such Swingline Loan in an amount equal to such other Lender's Revolving Commitment Percentage thereof, by directly purchasing a participation in such Swingline Loan in such amount (regardless of whether the conditions precedent thereto set forth in Section 5.2 are then satisfied, whether or not the Borrower has submitted a Notice of Borrowing and whether or not the Commitments are then in effect, any Event of Default exists or all the Loans have been accelerated) and paying the proceeds thereof to the Swingline Lender at the address provided in Section 11.1, or at such other address as the Swingline

Lender may designate, in Dollars and in immediately available funds. If such amount is not in fact made available to the Swingline Lender by any Lender, the Swingline Lender shall be entitled to recover such amount on demand from such Lender, together with accrued interest thereon for each day from the date of demand thereof, at the Federal Funds Rate. If such Lender does not pay such amount forthwith upon the Swingline Lender's demand therefor, and until such time as such Lender makes the required payment, the Swingline Lender shall be deemed to continue to have outstanding Swingline Loans in the amount of such unpaid participation obligation for all purposes of the Credit Documents other than those provisions requiring the other Lenders to purchase

a participation therein. Further, such Lender shall be deemed to have assigned any and all payments made of principal and interest on its Loans, and any other amounts due to it hereunder to the Swingline Lender to fund Swingline Loans in the amount of the participation in Swingline Loans that such Lender failed to purchase pursuant to this Section 2.4(c) until such amount has been purchased (as a result of such assignment or otherwise). The principal amount of all Swingline Loans shall be due and payable in full on the Maturity Date, unless accelerated sooner pursuant to Section 9.2 or required to be repaid by the Swingline Lender pursuant to the foregoing terms of this Section 2.4(c).

(d) Interest. Subject to the provisions of Section 3.1, each Swingline Loan shall bear interest at a per annum rate equal to either (i) the Adjusted Base Rate or (ii) the Adjusted CD Rate. Interest on Swingline Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

(e) Swingline Note. The Swingline Loans made by the Swingline Lender shall be evidenced by a duly executed promissory note of the Borrower to the Swingline Lender in the face amount of the Swingline Committed Amount and in substantially the form of Exhibit 2.3(e).

SECTION 3

OTHER PROVISIONS RELATING TO CREDIT FACILITIES

3.1 DEFAULT RATE.

Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable (or if no rate is applicable, whether in respect of interest, fees or other amounts, then the Adjusted Base Rate plus 2%).

3.2 EXTENSION AND CONVERSION.

The Borrower shall have the option, on any Business Day, to extend existing Loans into a subsequent permissible Interest Period or to convert Loans into Loans of another interest rate type; provided, however, that (i) except as provided in Section 3.8, Eurodollar Loans may be converted into Base Rate Loans or extended as Eurodollar Loans for new Interest Periods only on the last day of the Interest Period applicable thereto, (ii) without the consent of the Required Lenders, Eurodollar Loans may be extended, and Base Rate Loans may be converted into Eurodollar Loans, only if the conditions precedent set forth in Section 5.2 are satisfied on the date of extension or conversion, (iii) Loans extended as,

or converted into, Eurodollar Loans shall be subject to the terms of the definition of "Interest Period" set forth in Section 1.1 and

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shall be in such minimum amounts as provided in Section 2.1(b)(ii), (iv) no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period) and (v) any request for extension or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month. Each such extension or conversion shall be effected by the Borrower by giving a Notice of Extension/Conversion (or telephonic notice promptly confirmed in writing) to the office of the Administrative Agent specified in specified in Schedule 2.1(a), or at such other office as the Administrative Agent may designate in writing, prior to 11:00 A.M. (Charlotte, North Carolina time) on the Business Day of, in the case of the conversion of a Eurodollar Loan into a Base Rate Loan, and on the third Business Day prior to, in the case of the extension of a Eurodollar Loan as, or conversion of a Base Rate Loan into, a Eurodollar Loan, the date of the proposed extension or conversion, specifying the date of the proposed extension or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. Each request for extension or conversion shall be irrevocable and shall constitute a representation and warranty by the Borrower of the matters specified in subsections (b), (c), (d), (e) and (f) of Section 5.2. In the event the Borrower fails to request extension or conversion of any Eurodollar Loan in accordance with this Section, or any such conversion or extension is not permitted or required by this Section, then such Eurodollar Loan shall be automatically converted into a Base Rate Loan at the end of the Interest Period applicable thereto. The Administrative Agent shall give each Lender notice as promptly as practicable of any such proposed extension or conversion affecting any Loan.

3.3 PREPAYMENTS.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time; provided, however, that each partial prepayment of Loans shall be in a minimum principal amount of \$5,000,000 and integral multiples of \$1,000,000. Subject to the foregoing terms, amounts prepaid under this Section 3.3(a) shall be applied as the Borrower may elect; provided that if the Borrower fails to specify a voluntary prepayment then such prepayment shall be applied to Revolving Loans, in each case first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(a) shall be subject to Section 3.12, but otherwise without premium or penalty and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

(b) Mandatory Prepayments.

(i) Revolving Committed Amount. If at any time (A) the sum of the aggregate amount of Revolving Loans outstanding plus the aggregate amount of LOC Obligations outstanding plus the aggregate amount of Swingline Loans

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outstanding shall exceed the Revolving Committed Amount, (B) the aggregate amount of LOC Obligations outstanding shall exceed the LOC Committed Amount or (C) the amount of Swingline Loans outstanding shall exceed the Swingline Committed Amount, the Borrower shall immediately make payment on the Loans and/or to a cash collateral account in respect of the LOC Obligations in an amount sufficient to eliminate such excess.

(ii) Application of Mandatory Prepayments. All amounts required to be paid pursuant to Section 3.3(b) shall be applied first to Loans and then to a cash collateral account to secure LOC Obligations. Within the parameters of the applications set forth above, prepayments shall be applied first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(b) shall be subject to Section 3.12.

3.4 TERMINATION AND REDUCTION OF REVOLVING COMMITTED AMOUNT.

The Borrower may from time to time permanently reduce or terminate the Revolving Committed Amount in whole or in part (in minimum aggregate amounts of \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof (or, if less, the full remaining amount of the then applicable Revolving Committed Amount)) upon five Business Days' prior written notice to the Administrative Agent; provided, that, no such termination or reduction shall be made which would cause the aggregate amount of outstanding Revolving Loans plus the aggregate amount of LOC Obligations outstanding plus the aggregate amount of Swingline Loans outstanding to exceed the Revolving Committed Amount unless, concurrently with such termination or reduction, the Loans are repaid to the extent necessary to eliminate such excess. The Administrative Agent shall promptly notify each affected Lender of receipt by the Administrative Agent of any notice from the Borrower pursuant to this Section 3.4.

3.5 FEES.

(a) Facility Fee. In consideration of the Revolving Commitments of the Lenders hereunder, the Borrower agrees to pay to the Administrative Agent for the pro rata benefit of the Lenders (based on each Lender's Revolving Commitment Percentage of the Revolving Committed Amount) a fee (the "Facility Fee") equal to the product of (i) the Applicable Percentage for Facility Fees multiplied by (ii) the Revolving Committed Amount. The Facility Fee shall commence to accrue on the Closing Date and shall be due and payable in arrears on the last Business Day of each March, June, September and December (and any date that the Revolving Committed Amount is reduced as provided in Section 3.4 and the Maturity Date) for the immediately preceding quarter (or portion thereof), beginning with the first of such dates to occur after the Closing Date.

(b) Letter of Credit Fees.

(i) Letter of Credit Issuance Fee. In consideration of the issuance of standby Letters of Credit hereunder, the Borrower promises to pay to the Administrative Agent for the account of each Lender a fee (the "Letter of Credit Fee") on such Lender's Revolving Commitment Percentage of the average daily maximum amount available to be drawn under each such standby Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage. The Standby Letter of Credit Fee will be payable quarterly in arrears on

the last Business Day of each March, June, September and December for the immediately preceding quarter (or a portion thereof).

(ii) Issuing Lender Fees. In addition to the Letter of Credit Fee payable pursuant to clause (i) above, the Borrower promises to pay to the Issuing Lender for its own account without sharing by the other Lenders (A) a letter of credit fronting fee of one-tenth percent (1/10%) per annum on the average daily maximum amount available to be drawn under outstanding Letters of Credit payable quarterly in arrears with the Letter of Credit Fee, and (B) customary charges from time to time of the Issuing Lender with respect to the issuance, amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit (collectively, the "Issuing Lender Fees").

3.6 CAPITAL ADEQUACY.

If any Lender has determined, after the date hereof, that the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof in the interpretation or administration of, any applicable law, rule or regulation regarding capital adequacy, or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy), then, upon notice from such Lender to the Borrower, the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Each determination by any such Lender of amounts owing under this Section shall, absent manifest error, be conclusive and binding on the parties hereto.

3.7 LIMITATION ON EURODOLLAR LOANS.

If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Administrative Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and

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reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period; or

(b) the Required Lenders determine (which determination shall be conclusive) and notify the Agent that the Eurodollar Rate will not adequately and fairly reflect the cost to the Lenders of funding Eurodollar Loans for such Interest Period;

then the Administrative Agent shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional Eurodollar Loans, continue Eurodollar Loans, or to convert Base Rate Loans into Eurodollar Loans and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Eurodollar Loans, either prepay such Eurodollar Loans or convert such Eurodollar Loans into Base Rate Loans in accordance with the terms of this Credit Agreement.

3.8 ILLEGALITY.

Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Credit Agreement, (a) such Lender shall promptly give written notice of such circumstances to the Borrower and the Administrative Agent (which notice shall be withdrawn whenever such circumstances no longer exist), (b) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert a Base Rate Loan to Eurodollar Loans, shall forthwith be canceled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Eurodollar Loans, such Lender shall then have a commitment only to make a Base Rate Loan when a Eurodollar Loan is requested and (c) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.13.

3.9 REQUIREMENTS OF LAW.

If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, or comparable agency:

(i) shall subject such Lender (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any Eurodollar Loans, its Notes, or its obligation

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to make Eurodollar Loans, or change the basis of taxation of any amounts payable to such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes in respect of any Eurodollar Loans (other than taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Eurodollar Reserve Requirement utilized in the determination of the Adjusted Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender (or its Applicable Lending Office), including the Commitment of such Lender hereunder; or

(iii) shall impose on such Lender (or its Applicable Lending Office) or the London interbank market any other condition affecting this Credit Agreement or its Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making, converting into, continuing, or maintaining any Eurodollar Loans or to reduce any sum received or receivable by such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes with respect to any Eurodollar Loans, then the Borrower shall pay to such Lender on demand such amount or amounts as will compensate such Lender for such increased cost or reduction. If any Lender requests compensation by the Borrower under this Section 3.9, the Borrower may, by notice to such Lender

(with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue Eurodollar Loans, or to convert Base Rate Loans into Eurodollar Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.10 shall be applicable); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested. Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section 3.9 and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to it. Any Lender claiming compensation under this Section 3.9 shall furnish to the Borrower and the Administrative Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

3.10 TREATMENT OF AFFECTED LOANS.

If the obligation of any Lender to make any Eurodollar Loan or to continue, or to convert Base Rate Loans into, Eurodollar Loans shall be suspended pursuant to Section 3.8 or 3.9 hereof, such Lender's Eurodollar Loans shall be automatically converted into Base Rate Loans on the

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last day(s) of the then current Interest Period(s) for such Eurodollar Loans (or, in the case of a conversion required by Section 3.8 hereof, on such earlier date as such Lender may specify to the Borrower with a copy to the Administrative Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.8 or 3.9 hereof that gave rise to such conversion no longer exist:

(a) to the extent that such Lender's Eurodollar Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurodollar Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or continued by such Lender as Eurodollar Loans shall be made or continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be converted into Eurodollar Loans shall remain as Base Rate Loans.

If such Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.8 or 3.9 hereof that gave rise to the conversion of such Lender's Eurodollar Loans pursuant to this Section 3.10 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans made by other Lenders are outstanding, such Lender's Base Rate Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Loans and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Commitments.

3.11 TAXES.

(a) Any and all payments by any Credit Party to or for the account of any Lender or the Administrative Agent hereunder or under any other Credit Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender

and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender (or its Applicable Lending Office) or the Administrative Agent (as the case may be) is organized or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "Taxes"). If any Credit Party shall be required by law to deduct any Taxes from or in respect of any sum payable under this Credit Agreement or any other Credit Document to any Lender or the Administrative Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.11) such Lender or the Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Credit Party shall make such

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deductions, (iii) such Credit Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law, and (iv) such Credit Party shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Credit Agreement or any other Credit Document or from the execution or delivery of, or otherwise with respect to, this Credit Agreement or any other Credit Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 3.11) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) Each Lender that is not a United States person under Section 7701(a)(30) of the Code, on or prior to the date of its execution and delivery of this Credit Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower or the Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower and the Administrative Agent with (i) Internal Revenue Service Form W-8 BEN or W-8 ECI, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Credit Agreement is effectively connected with the conduct of a trade or business in the United States, (ii) Internal Revenue Service Form W-8 or W-9, as appropriate, or any successor form prescribed by the Internal Revenue Service, and (iii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Credit Agreement or any of the other Credit Documents. Each Lender that is a United States Person shall submit a properly completed and duly executed Internal Revenue Service Form W-9, or any successor form prescribed by the Internal Revenue Service, certifying that it is

exempt from backup withholding.

(e) For any period with respect to which a Lender has failed to provide the Borrower and the Administrative Agent with the appropriate form pursuant to Section 3.11(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under Section 3.11(a) or 3.11(b) with

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respect to Taxes imposed by the United States; provided, however, that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(f) If any Credit Party is required to pay additional amounts to or for the account of any Lender pursuant to this Section 3.11, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Within thirty (30) days after the date of any payment of Taxes, the applicable Credit Party shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing such payment.

(h) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this Section 3.11 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.12 COMPENSATION.

Upon the request of any Lender, the Borrower shall pay to such Lender such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost, or expense (including loss of anticipated profits) incurred by it as a result of:

(a) any payment, prepayment, or conversion of a Eurodollar Loan for any reason (including, without limitation, (i) in connection with any assignment by Bank of America pursuant to Section 11.3(b) as part of the syndication of the Loans during the 180-day period immediately following the Closing Date) and (ii) the acceleration of the Loans pursuant to Section 9.2) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any condition precedent specified in Section 5 to be satisfied) to borrow, convert, continue, or prepay a Eurodollar Loan on the date for such borrowing, conversion, continuation, or prepayment specified in the relevant notice of borrowing, prepayment, continuation, or conversion under this Credit Agreement.

With respect to Eurodollar Loans, such indemnification may include an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued,

for the period from the date of such prepayment or

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of such failure to borrow, convert or continue to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans provided for herein (excluding, however, the Applicable Percentage included therein, if any) over (b) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. The covenants of the Borrower set forth in this Section 3.12 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.13 PRO RATA TREATMENT.

Except to the extent otherwise provided herein:

(a) Loans. Each Loan, each payment or (subject to the terms of Section 3.3) prepayment of principal of any Loan or reimbursement obligations arising from drawings under Letters of Credit, each payment of interest on the Loans or reimbursement obligations arising from drawings under Letters of Credit, each payment of Facility Fees, each payment of the Letter of Credit Fee, each reduction in Commitments and each conversion or extension of any Loan, shall be allocated pro rata among the Lenders in accordance with the respective principal amounts of their outstanding Revolving Loans and Participation Interests.

(b) Advances. No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make its ratable share of a borrowing hereunder; provided, however, that the failure of any Lender to fulfill its obligations hereunder shall not relieve any other Lender of its obligations hereunder. Unless the Administrative Agent shall have been notified in writing by any Lender prior to the date of any requested borrowing that such Lender does not intend to make available to the Administrative Agent its ratable share of such borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of such borrowing, and the Administrative Agent in reliance upon such assumption, may (in its sole discretion but without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent will promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is

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recovered by the Administrative Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing and (ii) from a Lender at the

Federal Funds Rate.

3.14 SHARING OF PAYMENTS.

The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan, LOC Obligations or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro rata share of such payment as provided for in this Credit Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest in such Loans, LOC Obligations and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Credit Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a Participation Interest theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Loan, LOC Obligations or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Credit Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Credit Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.14 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.14 to share in the benefits of any recovery on such secured claim.

3.15 PAYMENTS, COMPUTATIONS, ETC.

(a) Except as otherwise specifically provided herein, all payments hereunder shall be made to the Administrative Agent in Dollars in immediately available funds, without setoff, deduction, counterclaim or withholding of any kind, at the Administrative

Agent's office specified in Schedule 2.1(a) not later than 2:00 P.M. (Charlotte, North Carolina time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Administrative Agent may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Borrower or any other Credit Party maintained with the Administrative Agent (with notice to the Borrower or such other Credit Party). The Borrower shall, at the time it makes any payment under this Credit Agreement, specify to the Administrative Agent the Loans, LOC Obligations, Fees, interest or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails so to specify,

or if such application would be inconsistent with the terms hereof, the Administrative Agent shall distribute such payment to the Lenders in such manner as the Administrative Agent may determine to be appropriate in respect of obligations owing by the Borrower hereunder, subject to the terms of Section 3.13(a)). The Administrative Agent will distribute such payments to such Lenders, if any such payment is received prior to 12:00 Noon (Charlotte, North Carolina time) on a Business Day in like funds as received prior to the end of such Business Day and otherwise the Administrative Agent will distribute such payment to such Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and Fees for the period of such extension), except that in the case of Eurodollar Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment shall instead be made on the next preceding Business Day. Except as expressly provided otherwise herein, all computations of interest and fees shall be made on the basis of actual number of days elapsed over a year of 360 days. Interest shall accrue from and include the date of borrowing, but exclude the date of payment.

(b) Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Credit Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender on account of the Credit Party Obligations or any other amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Credit Documents;

SECOND, to payment of any fees owed to the Administrative Agent;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Credit Party Obligations owing to such Lender;

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FOURTH, to the payment of all of the Credit Party Obligations consisting of accrued fees and interest;

FIFTH, to the payment of the outstanding principal amount of the Credit Party Obligations (including the payment or cash collateralization of the outstanding LOC Obligations);

SIXTH, to all other Credit Party Obligations and other obligations which shall have become due and payable under the Credit Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the

then outstanding Loans and LOC Obligations held by such Lender bears to the aggregate then outstanding Loans and LOC Obligations) of amounts available to be applied pursuant to clauses "THIRD", "FOURTH", "FIFTH" and "SIXTH" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "FIFTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Administrative Agent in a cash collateral account and applied (A) first, to reimburse the Issuing Lender from time to time for any drawings under such Letters of Credit and (B) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FIFTH" and "SIXTH" above in the manner provided in this Section 3.15(b).

3.16 EVIDENCE OF DEBT.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Credit Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts and to promptly update its account or accounts from time to time, as necessary.

(b) The Administrative Agent shall maintain the Register pursuant to Section 11.3(c), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount, type and Interest Period of each such Loan hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from or for the account of any Credit Party and each

Lender's share thereof. The Administrative Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to promptly update such subaccounts from time to time, as necessary.

(c) The entries made in the accounts, Register and subaccounts maintained pursuant to subsection (b) of this Section 3.16 (and, if consistent with the entries of the Administrative Agent, subsection (a)) shall be prima facie evidence of the existence and amounts of the obligations of the Credit Parties therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain any such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Credit Parties to repay the Credit Party obligations owing to such Lender.

SECTION 4

GUARANTY

4.1 THE GUARANTY.

Each of the Subsidiary Guarantors hereby jointly and severally guarantees to each Lender, each Affiliate of a Lender that enters into a Hedging Agreement, and the Administrative Agent as hereinafter provided, as primary obligor and not as surety, the prompt payment of the Credit Party Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) strictly in accordance with the terms thereof. The Subsidiary Guarantors hereby further agree that if any of the Credit Party Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a

mandatory cash collateralization or otherwise), the Subsidiary Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Credit Party Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents or Hedging Agreements, the obligations of each Subsidiary Guarantor hereunder shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the Bankruptcy Code or any comparable provisions of any applicable state law.

4.2 OBLIGATIONS UNCONDITIONAL.

The obligations of the Subsidiary Guarantors under Section 4.1 are joint and several, absolute, unconditional and irrevocable, irrespective of the value, genuineness, validity,

regularity or enforceability of any of the Credit Documents or Hedging Agreements, or any other agreement or instrument referred to therein, or any substitution, release, impairment or exchange of any other guarantee of or security for any of the Credit Party Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.2 that the obligations of the Subsidiary Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Subsidiary Guarantor agrees that such Subsidiary Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Subsidiary Guarantor for amounts paid under this Section 4 until such time as the Lenders (and any Affiliates of Lenders entering into Hedging Agreements) have been paid in full, all Commitments under this Credit Agreement have been terminated and no Person or Governmental Authority shall have any right to request any return or reimbursement of funds from the Lenders in connection with monies received under the Credit Documents or Hedging Agreements between any Credit Party and any Lender, or any Affiliate of a Lender. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of any Subsidiary Guarantor hereunder which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Credit Party Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of any of the Credit Documents, any Hedging Agreement between any Credit Party and any Lender, or any Affiliate of a Lender or any other agreement or instrument referred to in the Credit Documents or such Hedging Agreements shall be done or omitted;

(c) the maturity of any of the Credit Party Obligations shall be accelerated, or any of the Credit Party Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Credit Documents, any Hedging Agreement between any Credit Party and any Lender, or any Affiliate of a Lender or any other agreement or instrument referred to in the Credit Documents or such Hedging Agreements shall be waived or any other guarantee of any of the Credit Party Obligations or any security therefor shall be released,

impaired or exchanged in whole or in part or otherwise dealt with;

(d) any Lien granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Credit Party Obligations shall fail to attach or be perfected; or

(e) any of the Credit Party Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor)

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or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor).

With respect to its obligations hereunder, each Subsidiary Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Credit Documents, any Hedging Agreement between any Credit Party and any Lender, or any Affiliate of a Lender or any other agreement or instrument referred to in the Credit Documents or such Hedging Agreements, or against any other Person under any other guarantee of, or security for, any of the Credit Party Obligations.

4.3 REINSTATEMENT.

The obligations of the Subsidiary Guarantors under this Section 4 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Credit Party Obligations is rescinded or must be otherwise restored by any holder of any of the Credit Party Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Subsidiary Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

4.4 CERTAIN ADDITIONAL WAIVERS.

Without limiting the generality of the provisions of this Section 4, each Subsidiary Guarantor hereby specifically waives the benefits of N.C. Gen. Stat. ss. 26-7 through 26-9, inclusive, to the extent applicable. Each Subsidiary Guarantor further agrees that such Subsidiary Guarantor shall have no right of recourse to security for the Credit Party Obligations, except through the exercise of rights of subrogation pursuant to Section 4.2 and through the exercise of rights of contribution pursuant to Section 4.6.

4.5 REMEDIES.

The Subsidiary Guarantors agree that, to the fullest extent permitted by law, as between the Subsidiary Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, the Credit Party Obligations may be declared to be forthwith due and payable as provided in Section 9.2 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9.2) for purposes of Section 4.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Credit Party Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Credit Party Obligations being deemed to have become

automatically due and payable), the Credit Party Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Subsidiary Guarantors for purposes of Section 4.1.

4.6 RIGHTS OF CONTRIBUTION.

The Subsidiary Guarantors hereby agree as among themselves that, if any Subsidiary Guarantor shall make an Excess Payment (as defined below), such Subsidiary Guarantor shall have a right of contribution from each other Subsidiary Guarantor in an amount equal to such other Subsidiary Guarantor's Contribution Share (as defined below) of such Excess Payment. The payment obligations of any Subsidiary Guarantor under this Section 4.6 shall be subordinate and subject in right of payment to the prior payment in full to the Administrative Agent and the Lenders of the Guaranteed Obligations, and none of the Subsidiary Guarantors shall exercise any right or remedy under this Section 4.6 against any other Subsidiary Guarantor until payment and satisfaction in full of all of such Guaranteed Obligations. For purposes of this Section 4.6, (a) "Guaranteed Obligations" shall mean any obligations arising under the other provisions of this Section 4; (b) "Excess Payment" shall mean the amount paid by any Subsidiary Guarantor in excess of its Pro Rata Share of any Guaranteed Obligations; (c) "Pro Rata Share" shall mean, for any Subsidiary Guarantor in respect of any payment of Guaranteed Obligations, the ratio (expressed as a percentage) as of the date of such payment of Guaranteed Obligations of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Subsidiary Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Subsidiary Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of all of the Credit Parties exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Credit Parties hereunder) of the Credit Parties; provided, however, that, for purposes of calculating the Pro Rata Shares of the Subsidiary Guarantors in respect of any payment of Guaranteed Obligations, any Subsidiary Guarantor that became a Subsidiary Guarantor subsequent to the date of any such payment shall be deemed to have been a Subsidiary Guarantor on the date of such payment and the financial information for such Subsidiary Guarantor as of the date such Subsidiary Guarantor became a Subsidiary Guarantor shall be utilized for such Subsidiary Guarantor in connection with such payment; and (d) "Contribution Share" shall mean, for any Subsidiary Guarantor in respect of any Excess Payment made by any other Subsidiary Guarantor, the ratio (expressed as a percentage) as of the date of such Excess Payment of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Subsidiary Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Subsidiary Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of the Credit Parties other than the maker of such Excess Payment exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Credit Parties) of the Credit Parties other than the maker of such Excess Payment; provided, however, that, for purposes of calculating the Contribution

Shares of the Subsidiary Guarantors in respect of any Excess Payment, any Subsidiary Guarantor that became a Subsidiary Guarantor subsequent to the date of any such Excess Payment shall be deemed to have been a Subsidiary Guarantor on the date of such Excess Payment and the financial information for such

Subsidiary Guarantor as of the date such Subsidiary Guarantor became a Subsidiary Guarantor shall be utilized for such Subsidiary Guarantor in connection with such Excess Payment. This Section 4.6 shall not be deemed to affect any right of subrogation, indemnity, reimbursement or contribution that any Subsidiary Guarantor may have under applicable law against the Borrower in respect of any payment of Guaranteed Obligations.

4.7 GUARANTEE OF PAYMENT; CONTINUING GUARANTEE.

The guarantee in this Section 4 is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Credit Party Obligations whenever arising.

SECTION 5

CONDITIONS

5.1 CLOSING CONDITIONS.

The obligation of the Lenders to enter into this Credit Agreement and to make the initial Loans or the Issuing Lender to issue the initial Letter of Credit, whichever shall occur first, shall be subject to satisfaction of the following conditions (in form and substance acceptable to the Lenders):

(a) Executed Credit Documents. Receipt by the Administrative Agent of duly executed copies of: (i) this Credit Agreement, (ii) the Notes and (iii) all other Credit Documents, each in form and substance acceptable to the Administrative Agent in its sole discretion.

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

(i) Charter Documents. Copies of the articles or certificates of incorporation, certificate of formation or other charter documents of each Credit Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the bylaws or operating agreement of each Credit Party certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Closing Date.

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

(iv) Good Standing. Copies of certificates of good standing, existence or its equivalent with respect to each Credit Party certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of incorporation and each other jurisdiction in which the failure to so qualify and be in good standing could have a Material Adverse Effect.

(v) Incumbency. An incumbency certificate of each Credit Party certified by a secretary or assistant secretary to be true and correct as of the Closing Date.

(c) Financial Statements. Receipt by the Administrative Agent of (i) unaudited consolidated financial statements of the Consolidated Parties, prepared in accordance with GAAP as of the fiscal quarter ending September 24, 2000 for the fiscal quarter ending as of such date and (ii) such other information relating to the Borrower and its Subsidiaries as the Administrative Agent may reasonably require in connection with the structuring and syndication of credit facilities of the type described herein.

(d) Opinions of Counsel. The Administrative Agent shall have received a legal opinion in form and substance reasonably satisfactory to the Administrative Agent dated as of the Closing Date from counsel to the Credit Parties.

(e) Material Adverse Effect. No material adverse change shall have occurred since June 25, 2000 in the condition (financial or otherwise), business, assets, liabilities, operations, management or prospects of the Consolidated Parties taken as a whole.

(f) Litigation. There shall not exist any pending or threatened action, suit, investigation or proceeding against a Consolidated Party that could have a Material Adverse Effect.

(g) Officer's Certificates. The Administrative Agent shall have received a certificate or certificates executed by the chief financial officer of the Borrower as of the Closing Date stating that (A) each Credit Party is in compliance with all existing financial obligations, (B) all governmental, shareholder and third party consents and approvals, if any, with respect to the Credit Documents and the transactions contemplated thereby have been obtained, (C) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or governmental instrumentality that purports to affect any Credit Party or any transaction contemplated by the Credit

Documents, if such action, suit, investigation or proceeding could have a Material Adverse Effect, and (D) immediately after giving effect to this Credit Agreement, the other Credit Documents and all the transactions contemplated therein to occur on such date, (1) each of the Credit Parties is Solvent, (2) no Default or Event of Default exists, (3) all representations and warranties contained herein and in the other Credit Documents are true and correct in all material respects, and (4) the Credit Parties are in compliance with each of the financial covenants set forth in Section 7.11.

(h) Fees and Expenses. Payment by the Credit Parties of all fees and expenses owed by them to the Lenders and the Administrative Agent, including, without limitation, payment to the Administrative Agent of the fees set forth in the Fee Letter.

(i) Other. Receipt by the Lenders of such other documents, instruments, agreements or information as reasonably requested by any Lender, including, but not limited to, information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership and contingent liabilities of the Consolidated Parties.

The obligations of each Lender to make, convert or extend any Loan and of the Issuing Lender to issue or extend any Letter of Credit (including the initial Loans and the initial Letter of Credit) are subject to satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 5.1:

(a) The Borrower shall have delivered (i) in the case of any Revolving Loan, an appropriate Notice of Borrowing or Notice of Extension/Conversion or (ii) in the case of any Letter of Credit, the Issuing Lender shall have received an appropriate request for issuance in accordance with the provisions of Section 2.2(b);

(b) The representations and warranties set forth in Section 6 shall, subject to the limitations set forth therein, be true and correct in all material respects as of such date (except for those which expressly relate to an earlier date);

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

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

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(e) No circumstances, events or conditions shall have occurred since June 25, 2000 which would have a Material Adverse Effect; and

(f) Immediately after giving effect to the making of such Loan (and the application of the proceeds thereof) or to the issuance of such Letter of Credit, as the case may be, (i) the sum of the aggregate principal amount of outstanding Revolving Loans plus LOC Obligations outstanding plus outstanding Swingline Loans shall not exceed the Revolving Committed Amount and (ii) the LOC Obligations shall not exceed the LOC Committed Amount.

The delivery of each Notice of Borrowing, each Notice of Extension/Conversion and each request for a Letter of Credit pursuant to Section 2.2(b) shall constitute a representation and warranty by the Credit Parties of the correctness of the matters specified in subsections (b), (c), (d), (e) and (f) above.

SECTION 6

REPRESENTATIONS AND WARRANTIES

The Credit Parties hereby represent to the Administrative Agent and each Lender that:

6.1 FINANCIAL CONDITION.

The financial statements delivered to the Lenders pursuant to Section 5.1(c) and Section 7.1(a) and (b), (i) have been prepared in accordance with GAAP and (ii) present fairly (on the basis disclosed in the footnotes to such financial statements) the consolidated and consolidating financial condition, results of operations and cash flows of the Consolidated Parties as of such date

and for such periods.

6.2 NO MATERIAL CHANGE.

Since June 25, 2000, (a) there has been no development or event relating to or affecting a Consolidated Party which has had or could have a Material Adverse Effect and (b) except as otherwise permitted under this Credit Agreement, no dividends or other distributions have been declared, paid or made upon the Capital Stock in a Consolidated Party nor has any of the Capital Stock in a Consolidated Party been redeemed, retired, purchased or otherwise acquired for value.

6.3 ORGANIZATION AND GOOD STANDING; COMPLIANCE WITH LAW.

Each of the Consolidated Parties (a) is duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has the requisite power and authority, and the legal right, to own and operate all its property, to lease the

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property it operates as lessee and to conduct the business in which it is currently engaged and (c) is duly qualified to conduct business and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to so qualify or be in good standing could not reasonably be expected to have a Material Adverse Effect.

6.4 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS.

Each of the Credit Parties has the corporate or other necessary power and authority, and the legal right, to make, deliver and perform the Credit Documents to which it is a party, and in the case of the Borrower, to obtain extensions of credit hereunder, and has taken all necessary corporate action to authorize the borrowings and other extensions of credit on the terms and conditions of this Credit Agreement and to authorize the execution, delivery and performance of the Credit Documents to which it is a party. No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the borrowings or other extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of the Credit Documents to which such Credit Party is a party. This Credit Agreement has been, and each other Credit Document to which any Credit Party is a party will be, duly executed and delivered on behalf of the Credit Parties. This Credit Agreement constitutes, and each other Credit Document to which any Credit Party is a party when executed and delivered will constitute, a legal, valid and binding obligation of such Credit Party enforceable against such party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.5 NO CONFLICTS.

Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by such Credit Party will (a) violate or conflict with any provision of its articles or certificate of incorporation or bylaws or other organizational or governing documents of such Person, (b) violate, contravene or materially conflict with any Requirement of Law or any other law, regulation (including, without limitation, Regulation U or Regulation X), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of

trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation of which could have a Material Adverse Effect, or (d) result in or require the creation of any Lien (other than those contemplated in or created in connection with the Credit Documents) upon or with respect to its properties.

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6.6 NO DEFAULT.

No Consolidated Party is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default could have a Material Adverse Effect. No Default or Event of Default has occurred or exists except as previously disclosed in writing to the Lenders.

6.7 OWNERSHIP.

Each Consolidated Party is the owner of, and has good and marketable title to, all of its respective assets and none of such assets is subject to any Lien other than Permitted Liens.

6.8 INDEBTEDNESS.

Except as otherwise permitted under Section 8.1, the Consolidated Parties have no Indebtedness.

6.9 LITIGATION.

There are no actions, suits or legal, equitable, arbitration or administrative proceedings, pending or, to the knowledge of any Credit Party, threatened against any Consolidated Party which might have a Material Adverse Effect.

6.10 TAXES.

Each Consolidated Party has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) which are not yet delinquent or (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. No Credit Party is aware as of the Closing Date of any proposed tax assessments against it or any Consolidated Party.

6.11 COMPLIANCE WITH LAW.

Each Consolidated Party is in compliance with all Requirements of Law and all other laws, rules, regulations, orders and decrees (including without limitation Environmental Laws) applicable to it, or to its properties, unless such failure to comply could not have a Material Adverse Effect.

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6.12 ERISA.

Except as would not have or reasonably be expected to have a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and, to the best knowledge of the Credit Parties, no event or condition has occurred or exists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA), whether or not vested, under each Single Employer Plan, as of the last annual valuation date prior to the date on which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Statement 87, utilizing the actuarial assumptions used in such Plan's most recent actuarial valuation report), did not exceed as of such valuation date the fair market value of the assets of such Plan.

(c) Neither any Consolidated Party nor any ERISA Affiliate has incurred, or, to the best knowledge of the Credit Parties, could be reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither any Consolidated Party nor any ERISA Affiliate would become subject to any withdrawal liability under ERISA if any Consolidated Party or any ERISA Affiliate were to withdraw completely from all Multiemployer Plans and Multiple Employer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. Neither any Consolidated Party nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Credit Parties, reasonably expected to be in reorganization, insolvent, or terminated.

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

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(e) Neither any Consolidated Party nor any ERISA Affiliates has any material liability with respect to "expected post-retirement benefit obligations" within the meaning of the Financial Accounting Standards Board Statement 106. Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects of such sections.

(f) Neither the execution and delivery of this Credit Agreement nor the consummation of the financing transactions contemplated thereunder will involve any transaction which is subject

to the prohibitions of Sections 404, 406 or 407 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code. The representation by the Credit Parties in the preceding sentence is made in reliance upon and subject to the accuracy of the Lenders' representation in Section 11.15 with respect to their source of funds and is subject, in the event that the source of the funds used by the Lenders in connection with this transaction is an insurance company's general asset account, to the application of Prohibited Transaction Class Exemption 95-60, 60 Fed. Reg. 35,925 (1995), compliance with the regulations issued under Section 401(c)(1)(A) of ERISA, or the issuance of any other prohibited transaction exemption or similar relief, to the effect that assets in an insurance company's general asset account do not constitute assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA of a "plan" within the meaning of Section 4975(e)(1) of the Code.

6.13 SUBSIDIARIES.

Set forth on Schedule 6.13 is a complete and accurate list of all Subsidiaries of each Consolidated Party.

6.14 GOVERNMENTAL REGULATIONS, ETC.

(a) No part of the Letters of Credit or proceeds of the Loans will be used, directly or indirectly, in any manner that would constitute a violation of Regulation T, Regulation U or Regulation X. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Consolidated Parties. None of the transactions contemplated by this Credit Agreement (including, without limitation, the direct or indirect use of the proceeds of the Loans) will violate or result in a violation of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or regulations issued pursuant thereto, or Regulation T, U or X. If requested by any Lender or Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the effect of the foregoing sentences in conformity with the requirements of FR Form U-1 referred to in Regulation U.

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(b) No Consolidated Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940, each as amended. In addition, no Consolidated Party is (i) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by such a company, or (ii) a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(c) No director, executive officer or principal shareholder of any Consolidated Party is a director, executive officer or principal shareholder of any Lender. For the purposes hereof the terms "director", "executive officer" and "principal shareholder" (when used with reference to any Lender) have the respective meanings assigned thereto in Regulation O issued by the Board of Governors of the Federal Reserve System.

(d) Each Consolidated Party has obtained and holds in full force and effect, all franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals which are necessary for the ownership of its respective Property and to the conduct of its

respective businesses as presently conducted.

(e) No Consolidated Party is in violation of any applicable statute, regulation or ordinance of the United States of America, or of any state, city, town, municipality, county or any other jurisdiction, or of any agency thereof (including without limitation, environmental laws and regulations), which violation could have a Material Adverse Effect.

(f) Each Consolidated Party is current with all material reports and documents, if any, required to be filed with any state or federal securities commission or similar agency and is in full compliance in all material respects with all applicable rules and regulations of such commissions.

6.15 PURPOSE OF LOANS AND LETTERS OF CREDIT.

The proceeds of the Loans hereunder shall be used solely by the Borrower (i) for working capital, (ii) to make Consolidated Capital Expenditures, (iii) for general corporate purposes, (iv) to refinance existing Indebtedness of the Borrower and (v) to make Permitted Acquisitions. The Letters of Credit shall be used only for or in connection with appeal bonds, reimbursement obligations arising in connection with surety and reclamation bonds, reinsurance, domestic or international trade transactions and obligations not otherwise aforementioned relating to transactions entered into by the applicable account party in the ordinary course of business.

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6.16 ENVIRONMENTAL MATTERS.

(a) Each of the facilities and properties owned, leased or operated by the Consolidated Parties (the "Properties") and all operations at the Properties are in compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Properties or the businesses operated by the Consolidated Parties (the "Businesses"), and there are no conditions relating to the Businesses or Properties that could give rise to liability under any applicable Environmental Laws.

(b) None of the Properties contains, or has previously contained, any Materials of Environmental Concern at, on or under the Properties in amounts or concentrations that constitute or constituted a violation of, or could give rise to liability under, Environmental Laws.

(c) No Consolidated Party has received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Businesses, nor does any Consolidated Party have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Properties, or generated, treated, stored or disposed of at, on or under any of the Properties or any other location, in each case by or on behalf of any Consolidated Party in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the best knowledge of any Credit Party, threatened, under any Environmental Law to which any Consolidated Party is or will be named as a party, nor are there any

consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Consolidated Parties, the Properties or the Businesses.

(f) There has been no release, or threat of release, of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations (including, without limitation, disposal) of any Consolidated Party in connection with the Properties or otherwise in connection with the Businesses, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

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6.17 INTELLECTUAL PROPERTY.

Each Consolidated Party owns, or has the legal right to use, all trademarks, tradenames, copyrights, technology, know-how and processes (the "Intellectual Property") necessary for each of them to conduct its business as currently conducted except for those the failure to own or have such legal right to use could not have a Material Adverse Effect. No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Credit Party know of any such claim, and to the Credit Parties' knowledge the use of such Intellectual Property by any Consolidated Party does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not have a Material Adverse Effect.

6.18 SOLVENCY.

Each Credit Party is and, after consummation of the transactions contemplated by this Credit Agreement, will be Solvent.

6.19 INVESTMENTS.

All Investments of each Consolidated Party are Permitted Investments.

6.20 DISCLOSURE.

Neither this Credit Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of any Consolidated Party in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading.

6.21 NO BURDENSOME RESTRICTIONS.

No Consolidated Party is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable law, rule or regulation which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

6.22 BROKERS' FEES.

None of the Borrower or any of its Subsidiaries has any obligation to any Person in respect of any finder's, broker's, investment banking or other similar fee in connection with any of the transactions contemplated under the Credit Documents.

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6.23 LABOR MATTERS.

There are no collective bargaining agreements or Multiemployer Plans covering the employees of a Consolidated Party, and none of the Consolidated Parties (a) has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years, or (b) has knowledge of any potential or pending strike, walkout or work stoppage.

SECTION 7

AFFIRMATIVE COVENANTS

Each Credit Party hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

7.1 FINANCIAL STATEMENTS.

The Credit Parties will furnish, or cause to be furnished, to the Administrative Agent and each of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the close of each fiscal year of the Consolidated Parties, (i) the consolidated balance sheet and income statement of the Consolidated Parties, as of the end of such fiscal year, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal year, setting forth in comparative form consolidated figures for the preceding fiscal year and (ii) a balance sheet and income statement of UTP, as of the end of such fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified in any manner.

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the close of each fiscal quarter of the Consolidated Parties (other than the fourth fiscal quarter, in which case 90 days after the end thereof), (i) a consolidated balance sheet and income statement of the Consolidated Parties, as of the end of such fiscal quarter, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal quarter, in each case setting forth in comparative form consolidated figures for the corresponding period of the preceding fiscal year and (ii) a balance sheet and income statement of UTP, as of the end of such fiscal quarter, all such financial information described above to be in reasonable form and

detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of the chief financial officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Consolidated Parties and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments.

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 7.1(a) and 7.1(b) above,

a certificate of the chief financial officer of the Borrower substantially in the form of Exhibit 7.1(c), (i) demonstrating compliance with the financial covenants contained in Section 7.11 by calculation thereof as of the end of each such fiscal period, (ii) containing a calculation of Consolidated Net Tangible Assets as of the end of each such fiscal period and (iii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Credit Parties propose to take with respect thereto.

(d) Accountant's Certificate. Within the period for delivery of the annual financial statements provided in Section 7.1(a), a certificate of the accountants conducting the annual audit stating that they have reviewed this Credit Agreement and stating further whether, in the course of their audit, they have become aware of any Default or Event of Default and, if any such Default or Event of Default exists, specifying the nature and extent thereof.

(e) Auditor's Reports. Promptly upon receipt thereof, a copy of any other report or "management letter" submitted by independent accountants to any Consolidated Party in connection with any annual, interim or special audit of the books of such Person.

(f) Reports. Promptly upon request of the Administrative Agent, (i) copies of any filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency, and copies of all financial statements, proxy statements, notices and reports as any Consolidated Party shall send to its shareholders or to a holder of any Indebtedness owed by any Consolidated Party in its capacity as such a holder and (ii) upon the request of the Administrative Agent, all reports and written information to and from the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor agencies or authorities concerning environmental, health or safety matters.

(g) Notices. Upon obtaining knowledge thereof, the Credit Parties will give written notice to the Administrative Agent immediately of (i) the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Credit Parties propose to take with respect thereto, and (ii) the occurrence of any of the following with respect to any Consolidated Party (A) the pendency or commencement of any litigation, arbitral or governmental

proceeding against such Person which if adversely determined is likely to have a Material Adverse Effect, (B) the institution of any proceedings against such Person with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation, or alleged violation of any federal, state or local law, rule or regulation, including but not limited to, Environmental Laws, the violation of which could have a Material Adverse Effect, or (C) any notice or determination concerning the imposition of any withdrawal liability by a Multiemployer Plan against such Person or any ERISA Affiliate, the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA or the termination of any Plan.

(h) ERISA. Upon obtaining knowledge thereof, the Credit Parties will give written notice to the Administrative Agent promptly (and in any event within five business days) of: (i) of any event or

condition, including, but not limited to, any Reportable Event, that constitutes, or might reasonably lead to, an ERISA Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Credit Parties or any ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which any Consolidated Party or any ERISA Affiliate is required to contribute to each Plan pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (iv) any change in the funding status of any Plan that could have a Material Adverse Effect, together with a description of any such event or condition or a copy of any such notice and a statement by the chief financial officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Credit Parties with respect thereto. Promptly upon request, the Credit Parties shall furnish the Administrative Agent and the Lenders with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(i) Environmental. The Consolidated Parties will conduct and complete all investigations, studies, sampling, and testing and all remedial, removal, and other actions necessary to address all Materials of Environmental Concern on, from or affecting any of the Properties to the extent necessary to be in compliance with all Environmental Laws and with the validly issued orders and directives of all Governmental Authorities with jurisdiction over such Properties to the extent any failure could have a Material Adverse Effect.

(j) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of any

Consolidated Party as the Administrative Agent or the Required Lenders may reasonably request.

7.2 PRESERVATION OF EXISTENCE AND FRANCHISES.

Except as otherwise permitted by Section 8.4, each Credit Party will, and will cause each of its Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority.

7.3 BOOKS AND RECORDS.

Each Credit Party will, and will cause each of its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

7.4 COMPLIANCE WITH LAW.

Each Credit Party will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities (including without limitation ERISA), applicable to it and its Property if noncompliance with any

such law, rule, regulation, order or restriction could have a Material Adverse Effect.

7.5 PAYMENT OF TAXES AND OTHER INDEBTEDNESS.

Each Credit Party will, and will cause each of its Subsidiaries to, pay and discharge (a) all taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) except as prohibited hereunder, all of its other Indebtedness as it shall become due; provided, however, that no Consolidated Party shall be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment (i) could give rise to an immediate right to foreclose on a Lien securing such amounts or (ii) could have a Material Adverse Effect.

7.6 INSURANCE.

Each Credit Party will, and will cause each of its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice.

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7.7 MAINTENANCE OF PROPERTY.

Each Credit Party will, and will cause each of its Subsidiaries to, maintain and preserve its properties and equipment material to the conduct of its business in good repair, working order and condition, normal wear and tear and casualty and condemnation excepted, and will make, or cause to be made, in such properties and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper, to the extent and in the manner customary for companies in similar businesses.

7.8 PERFORMANCE OF OBLIGATIONS.

Each Credit Party will, and will cause each of its Subsidiaries to, perform in all material respects all of its obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

7.9 USE OF PROCEEDS.

The Borrower will use the proceeds of the Loans and will use the Letters of Credit solely for the purposes set forth in Section 6.15.

7.10 AUDITS/INSPECTIONS.

Upon reasonable notice and during normal business hours, each Credit Party will, and will cause each of its Subsidiaries to, permit representatives appointed by the Administrative Agent or any Lender, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect its property, including its books and records, its accounts receivable and inventory, its facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives or any Lender or its representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss

all such matters with the officers, employees and representatives of such Person.

7.11 FINANCIAL COVENANTS.

(i) Interest Coverage Ratio. The Interest Coverage Ratio, as of the last day of each fiscal quarter of the Borrower, shall be greater than or equal to 2.5 to 1.0;

(ii) Leverage Ratio. The Leverage Ratio, as of the last day of each fiscal quarter of the Borrower occurring during each of the periods set forth below, shall be less than or equal to:

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Period -----	Ratio -----
From the Closing Date through December 28, 2002	3.25 to 1.0
From December 29, 2002 and thereafter	2.75 to 1.0

(iii) Consolidated Tangible Net Worth. At all times Consolidated Tangible Net Worth shall be greater than or equal to the sum of (a) \$393,914,141, increased on a cumulative basis as of the end of each fiscal quarter of the Borrower, commencing with the fiscal quarter ending September 24, 2000 by an amount equal to 50% of Consolidated Net Income for the fiscal quarter then ended (without deductions for any losses) plus 100% of the Net Cash Proceeds from any Equity Issuance subsequent to the Closing Date.

7.12 ADDITIONAL CREDIT PARTIES.

(a) As soon as practicable and in any event within 30 days after any Person becomes a Subsidiary of any Credit Party, the Borrower shall provide the Administrative Agent with written notice thereof and shall (except with respect to any SPE) if such Person is a Domestic Subsidiary of a Credit Party, cause such Person to execute a Joinder Agreement in substantially the same form as Exhibit 7.12 and cause such Person to deliver such other documentation as the Administrative Agent may reasonably request in connection with the foregoing, including, without limitation, certified resolutions and other organizational and authorizing documents of such Person, and favorable opinions of counsel to such Person all in form, content and scope reasonably satisfactory to the Administrative Agent.

(b) If Unifi Technology becomes a Material Subsidiary, as soon as practicable and in any event within 30 days after Unifi Technology becomes a Material Subsidiary, the Borrower shall provide the Administrative Agent with written notice thereof and shall cause Unifi Technology to execute a Joinder Agreement in substantially the same form as Exhibit 7.12 and cause Unifi Technology to deliver such other documentation as the Administrative Agent may reasonably request in connection with the foregoing, including, without limitation, certified resolutions and other organizational and authorizing documents of Unifi Technology, and favorable opinions of counsel to Unifi Technology all in form, content and scope reasonably satisfactory to the Administrative Agent.

7.13 ENVIRONMENTAL LAWS.

(a) The Consolidated Parties shall comply in all material respects with, and take reasonable actions to ensure compliance in all

material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and take reasonable actions to ensure that all tenants

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

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

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

SECTION 8

NEGATIVE COVENANTS

Each Credit Party hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

8.1 INDEBTEDNESS.

The Credit Parties will not permit any Consolidated Party to contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising under this Credit Agreement and the other Credit Documents;

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(b) purchase money Indebtedness (including obligations in respect of Capital Leases or Synthetic Leases) hereafter incurred by

the Borrower to finance the purchase of fixed assets provided that (i) the total of all such Indebtedness (including any such Indebtedness referred to in subsection (b) above) shall not exceed an aggregate principal amount of \$50,000,000 at any one time outstanding; (ii) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed; and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(c) obligations of the Borrower in respect of Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(d) Indebtedness owing from (i) one Credit Party (other than UTP) to another Credit Party and (ii) UTP to Unifi Manufacturing in an amount not to exceed \$20,000,000 in the aggregate at any one time;

(e) other unsecured Indebtedness of the Subsidiaries of the Borrower (other than UTP) in an amount not to exceed \$20,000,000 in the aggregate at any one time;

(f) non-recourse Indebtedness and obligations (and recourse Indebtedness and obligations related to covenants, indemnities and performance guarantees and undertakings customary in receivables financings) of the Consolidated Parties in connection with Securitization Transactions; provided that the Attributed Principal Amount for all such Securitization Transactions entered into by the Consolidated Parties shall not exceed \$100,000,000 in the aggregate at any one time;

(g) Indebtedness of the Borrower arising under the Indenture in an aggregate principal amount not to exceed \$250,000,000 at any one time during the term of this Credit Agreement and renewals and refinancings thereof on terms and conditions no less favorable to the Credit Parties than the terms and conditions contained in the Indenture and in a principal amount not in excess of the principal balance outstanding under the Indenture at the time of such refinancing; and

(h) other unsecured Indebtedness of the Borrower in an amount not to exceed \$50,000,000 in the aggregate at any one time.

8.2 LIENS.

The Credit Parties will not permit any Consolidated Party to contract, create, incur, assume or permit to exist any Lien with respect to any of its Property (other than any "margin stock" within the meaning of Regulation U), whether now owned or after acquired, except for Permitted Liens.

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8.3 NATURE OF BUSINESS.

The Credit Parties will not permit any Consolidated Party to substantively alter the character or conduct of the business conducted by such Person as of the Closing Date.

8.4 CONSOLIDATION, MERGER, DISSOLUTION, ETC.

The Credit Parties will not permit any Consolidated Party to enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, notwithstanding the foregoing provisions of this Section 8.4, (a) the Borrower may merge or consolidate with any of its Subsidiaries provided that the Borrower

shall be the continuing or surviving corporation and (ii) after giving effect to such transaction, no Default or Event of Default exists, (b) any Credit Party other than the Borrower may merge or consolidate with any other Credit Party other than the Borrower provided that after giving effect to such transaction, no Default or Event of Default exists, (c) any Consolidated Party which is not a Credit Party may be merged or consolidated with or into any Credit Party provided that (i) such Credit Party shall be the continuing or surviving corporation and (ii) after giving effect to such transaction, no Default or Event of Default exists, (d) any Consolidated Party which is not a Credit Party may be merged or consolidated with or into any other Consolidated Party which is not a Credit Party provided that, after giving effect to such transaction, no Default or Event of Default exists and (e) any Immaterial Subsidiary of the Borrower may dissolve itself so long as (i) the assets of such Immaterial Subsidiary are transferred to another Credit Party prior to such dissolution and (ii) the Borrower provides the Administrative Agent with written notice of such dissolution within five (5) Business Days of the occurrence of such dissolution.

8.5 ASSET DISPOSITIONS.

The Credit Parties will not permit any Consolidated Party to make any Asset Disposition other than (a) the sale of inventory in the ordinary course of business for fair consideration, (b) the sale or disposition of machinery and equipment no longer used or useful in the conduct of such Person's business, (c) the sale, transfer or other disposition of account receivables pursuant to any Securitization Transaction permitted by Section 8.1(f), (d) other sales of assets during the term of this Credit Agreement having an aggregate fair market value less than an amount equal to 10% of Total Assets of the Consolidated Parties, (e) the sale, transfer or other disposition of "margin stock" within the meaning of Regulation U, (f) the sale or transfer by the Borrower or another Credit Party of the capital stock of any SPE to the Borrower or another Credit Party and (g) the sale or transfer by any Consolidated Party which is not a Credit Party of the capital stock of any SPE to another Consolidated Party which is not a Credit Party.

8.6 INVESTMENTS.

The Credit Parties will not permit any Consolidated Party to make Investments in or to any Person, except for Permitted Investments.

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8.7 RESTRICTED PAYMENTS.

The Credit Parties will not permit any Consolidated Party to, directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment; provided, however, (a) any Subsidiary of the Borrower may make dividends or other distributions to the Borrower or any Subsidiary of the Borrower which is the parent company of such Subsidiary, (b) from the Closing Date through December 28, 2002, any Consolidated Party may make a Restricted Payment so long as (i) the Leverage Ratio, as of the fiscal quarter most recently ending, is less than or equal to 3.0 to 1.0, (ii) no Default or Event of Default shall exist immediately prior to or after giving effect thereto and (iii) the Borrower shall have a Senior Debt Rating of at least BBB- at the time of such Restricted Payment and (c) from December 29, 2002 and thereafter, any Consolidated Party may make a Restricted Payment so long as (i) no Default or Event of Default shall exist immediately prior to or after giving effect thereto and (ii) the Borrower shall have a Senior Debt Rating of at least BBB- at the time of such Restricted Payment.

8.8 PREPAYMENTS OF INDEBTEDNESS, ETC.

(a) Other than with respect to Indebtedness arising under this Credit Agreement and the other Credit Documents, the Credit Parties will not permit any Consolidated Party to, after the issuance thereof, amend or modify (or permit the amendment or modification of)

any of the terms of any Indebtedness if such amendment or modification would add or change any terms in a manner adverse to the issuer of such Indebtedness, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof.

(b) Other than with respect to Indebtedness arising under this Credit Agreement and the other Credit Documents, the Credit Parties will not permit any Consolidated Party to, during the existence of a Default or Event of Default, or if a Default or Event of Default would be caused as a result thereof, make (or give any notice with respect thereto) any voluntary or optional payment or prepayment or redemption or acquisition for value of (including without limitation, by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), refund, refinance or exchange of any Indebtedness.

8.9 TRANSACTIONS WITH AFFILIATES.

The Credit Parties will not permit any Consolidated Party to enter into or permit to exist any transaction or series of transactions with any officer, director, shareholder, Subsidiary or Affiliate of such Person other than (a) normal compensation and reimbursement of expenses of officers and directors, (b) transactions permitted by Section 8.1 and (c) except as otherwise specifically limited in this Credit Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to

such Person as would be obtainable by it in a comparable arms-length transaction with a Person other than an officer, director, shareholder, Subsidiary or Affiliate.

8.10 FISCAL YEAR; ORGANIZATIONAL DOCUMENTS.

The Credit Parties will not permit any Consolidated Party to (a) change its fiscal year or (b) amend, modify or change its articles of incorporation, certificate of formation (or corporate charter or other similar organizational document) or bylaws, operating agreement (or other similar document) in a manner that would adversely affect the rights of the Lenders.

8.11 LIMITATION ON RESTRICTED ACTIONS.

The Credit Parties will not permit any Consolidated Party to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party, (d) sell, lease or transfer any of its properties or assets to any Credit Party, or (e) act as a Guarantor pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (a)-(d) above) for such encumbrances or restrictions existing under or by reason of (i) this Credit Agreement and the other Credit Documents, (ii) applicable law, (iii) any document or instrument governing Indebtedness incurred pursuant to Section 8.1(b), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (iv) the Indenture or (v) any document or instrument governing any Securitization Transaction permitted under Section 8.1(f), but only to the extent that (A) such restriction relates only to the applicable accounts receivables actually sold, conveyed or otherwise contributed pursuant to such Securitization Transaction or (B) such restriction

becomes effective only upon the occurrence of certain triggering events customary in receivables financings.

8.12 NO FURTHER NEGATIVE PLEDGES.

The Credit Parties will not permit any Consolidated Party to enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation, except (a) pursuant to this Credit Agreement and the other Credit Documents, (b) pursuant to any document or instrument governing Indebtedness incurred pursuant to Section 8.1(b), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (c) pursuant to the Indenture or (d) pursuant to any document or instrument governing any Securitization Transaction permitted under Section 8.1(f), but only to the extent that such restriction relates only to the applicable accounts receivables actually sold, contributed or otherwise conveyed pursuant to such Securitization Transaction.

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SECTION 9

EVENTS OF DEFAULT

9.1 EVENTS OF DEFAULT.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. Any Credit Party shall

(i) default in the payment when due of any principal of any of the Loans or of any reimbursement obligations arising from drawings under Letters of Credit, or

(ii) default, and such default shall continue for five (5) or more Business Days, in the payment when due of any interest on the Loans or on any reimbursement obligations arising from drawings under Letters of Credit, or of any Fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith; or

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Credit Party herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made; or

(c) Covenants. Any Credit Party shall

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.2, 7.4, 7.9, 7.11 or 7.13, or 8.1 through 8.12, inclusive;

(ii) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.1(a), (b), (c) or (d) and such default shall continue unremedied for a period of at least 5 days after the earlier of a responsible officer of a Credit Party becoming aware of such default or notice thereof by the Administrative Agent; or

(iii) default in the due performance or observance

by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c) (i) or (c) (ii) of this Section 9.1) contained in this Credit Agreement and such default

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shall continue unremedied for a period of at least 30 days after the earlier of a responsible officer of a Credit Party becoming aware of such default or notice thereof by the Administrative Agent; or

(d) Other Credit Documents. (i) Any Credit Party shall default in the due performance or observance of any term, covenant or agreement in any of the other Credit Documents (subject to applicable grace or cure periods, if any), or (ii) except as a result of or in connection with a merger of a Subsidiary permitted under Section 8.4, any Credit Document shall fail to be in full force and effect or to give the Administrative Agent and/or the Lenders the Liens, rights, powers and privileges purported to be created thereby, or any Credit Party shall so state in writing; or

(e) Guaranties. Except as the result of or in connection with a merger of a Subsidiary permitted under Section 8.4, the guaranty given by any Guarantor hereunder or under the Guaranty Agreement (including any Additional Credit Party) or any provision under any such guaranty shall cease to be in full force and effect, or any Guarantor (including any Additional Credit Party) hereunder or under the Guaranty Agreement or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under such guaranty, or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any guaranty; or

(f) Bankruptcy, etc. Any Bankruptcy Event shall occur with respect to any Consolidated Party; or

(g) Defaults under Other Agreements.

(i) Any Consolidated Party shall default in the performance or observance (beyond the applicable grace period with respect thereto, if any) of any material obligation or condition of any contract or lease material to the Consolidated Parties, taken as a whole; or

(ii) With respect to any Indebtedness (other than Indebtedness outstanding under this Credit Agreement) in excess of \$10,000,000 in the aggregate for the Consolidated Parties taken as a whole, (A) any Consolidated Party shall (1) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such Indebtedness, or (2) the occurrence and continuance of a default in the observance or performance relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such Indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required), any such Indebtedness to become due prior to its stated

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maturity; or (B) any such Indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

(h) Judgments. One or more judgments or decrees shall be entered against one or more of the Consolidated Parties involving a liability of \$10,000,000 or more in the aggregate (to the extent not paid or fully covered by insurance provided by a carrier who has acknowledged coverage and has the ability to perform) and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) ERISA. Any of the following events or conditions, if such event or condition could have a Material Adverse Effect: (i) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of any Consolidated Party or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (iii) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) any Consolidated Party or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency or (within the meaning of Section 4245 of ERISA) such Plan; or (iv) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject any Consolidated Party or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which any Consolidated Party or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability; or

(j) Ownership. There shall occur a Change of Control.

9.2 ACCELERATION; REMEDIES.

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the requisite Lenders (pursuant to the voting requirements of Section 11.6) or cured to the satisfaction of the requisite Lenders (pursuant to the voting procedures in Section 11.6), the Administrative Agent shall, upon the request and direction of the Required Lenders, by written notice to the Credit Parties, take any of the following actions:

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

(b) Acceleration. Declare the unpaid principal of and any accrued interest in respect of all Loans, any reimbursement obligations arising from drawings under Letters of Credit and any and all other indebtedness or obligations of any and every kind owing by the Credit Parties to the Administrative Agent and/or any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all

of which are hereby waived by the Credit Parties.

(c) Cash Collateral. Direct the Credit Parties to pay (and the Credit Parties agree that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 9.1(f), they will immediately pay) to the Administrative Agent additional cash, to be held by the Administrative Agent, for the benefit of the Lenders, in a cash collateral account as additional security for the LOC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate amount which may be drawn under all Letters of Credits then outstanding.

(d) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents including without limitation, all rights and remedies against a Guarantor and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.1(f) shall occur with respect to the Borrower, then the Commitments shall automatically terminate and all Loans, all reimbursement obligations arising from drawings under Letters of Credit, all accrued interest in respect thereof, all accrued and unpaid Fees and other indebtedness or obligations owing to the Administrative Agent and/or any of the Lenders hereunder automatically shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders.

SECTION 10

AGENCY PROVISIONS

10.1 APPOINTMENT, POWERS AND IMMUNITIES.

Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to act as its agent under this Credit Agreement and the other Credit Documents with such powers and discretion as are specifically delegated to the Administrative Agent by the terms of this Credit Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent (which term as used in this sentence and in Section 10.5 and the first sentence of Section 10.6 hereof shall include its Affiliates and its own

and its Affiliates' officers, directors, employees, and agents): (a) shall not have any duties or responsibilities except those expressly set forth in this Credit Agreement and shall not be a trustee or fiduciary for any Lender; (b) shall not be responsible to the Lenders for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Credit Document or any certificate or other document referred to or provided for in, or received by any of them under, any Credit Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Credit Document, or any other document referred to or provided for therein or for any failure by any Credit Party or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Credit Party or the satisfaction of any condition or to inspect the property (including the books and records) of any Credit Party or any of its Subsidiaries or Affiliates; (d) shall not be required to initiate or conduct any litigation or collection proceedings under any Credit Document; and (e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Credit Document, except for its own gross negligence or willful misconduct. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

10.2 RELIANCE BY ADMINISTRATIVE AGENT.

The Administrative Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for any Credit Party), independent accountants, and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until the Administrative Agent receives and accepts an Assignment and Acceptance executed in accordance with Section 11.3(b) hereof. As to any matters not expressly provided for by this Credit Agreement, the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to any Credit Document or applicable law or unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking any such action.

10.3 DEFAULTS.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Administrative Agent has received written notice from a Lender or a Credit Party specifying such Default or Event of Default and stating

that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall (subject to Section 10.2 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders.

10.4 RIGHTS AS A LENDER.

With respect to its Commitment and the Loans made by it, Bank of America (and any successor acting as Administrative Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. Bank of America (and any successor acting as Administrative Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make investments in, provide services to, and generally engage in any kind of lending, trust, or other business with any Credit Party or any of its Subsidiaries or Affiliates as if it were not acting as Administrative Agent, and Bank of America (and any successor acting as Administrative Agent) and its Affiliates may accept fees and other consideration from any Credit Party or any of its Subsidiaries or Affiliates for services in connection with this Credit Agreement or otherwise without having to account for the same to the Lenders.

10.5 INDEMNIFICATION.

The Lenders agree to indemnify the Administrative Agent (to the extent

not reimbursed under Section 11.5 hereof, but without limiting the obligations of the Credit Parties under such Section) ratably in accordance with their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees), or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Administrative Agent (including by any Lender) in any way relating to or arising out of any Credit Document or the transactions contemplated thereby or any action taken or omitted by the Administrative Agent under any Credit Document (including any of the foregoing arising from the negligence of the Administrative Agent); provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any costs or expenses payable by the Credit Parties under Section 11.5, to the extent that the Administrative Agent is not promptly reimbursed for such costs and expenses by the Credit Parties. The agreements in this Section 10.5 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

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10.6 NON-RELIANCE ON ADMINISTRATIVE AGENT AND OTHER LENDERS.

Each Lender agrees that it has, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Credit Parties and their Subsidiaries and decision to enter into this Credit Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Credit Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, or business of any Credit Party or any of its Subsidiaries or Affiliates that may come into the possession of the Administrative Agent or any of its Affiliates.

10.7 SUCCESSOR ADMINISTRATIVE AGENT.

The Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Credit Parties. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Agent shall be discharged from its duties and obligations as Administrative Agent, as appropriate, under this Credit Agreement and the other Credit Documents and the provisions of this Section 10.7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Credit Agreement. If no successor Administrative Agent has accepted appointment as Administrative Agent within sixty (60) days after the retiring Administrative Agent's giving notice of resignation, the retiring Administrative Agent's resignation shall nevertheless become effective and the Lenders shall perform all duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Subject to the foregoing terms of this Section 10.7, there shall at all times be a Person or Persons serving as Administrative Agent hereunder.

SECTION 11

MISCELLANEOUS

11.1 NOTICES.

Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (a) when delivered, (b) when transmitted via

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telecopy (or other facsimile device) to the number set out below, (c) the Business Day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address, in the case of the Credit Parties and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on Schedule 2.1(a), or at such other address as such party may specify by written notice to the other parties hereto:

if to any Credit Party:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attn: Willis C. Moore, III
Telephone: (336) 316-5664
Telecopy: (336) 294-4751

with a copy to:

Unifi, Inc.
7201 West Friendly Avenue
Greensboro, North Carolina 27410
Attn: Charles McCoy
Telephone: (336) 316-5660
Telecopy: (336) 856-4364

if to the Administrative Agent:

Bank of America, N.A.
Independence Center, 15th Floor
NC1-001-15-04
101 North Tryon Street
Charlotte, North Carolina 28255
Attn: Agency Services
Telephone: (704) 386-6837
Telecopy: (704) 409-0012

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with a copy to:

Bank of America, N.A.
Bank of America Corporate Center
100 North Tryon Street, 17th Floor
Charlotte, North Carolina 28255
Attn: Deirdre B. Doyle
Telephone: (704) 386-0783
Telecopy: (704) 386-1270

11.2 RIGHT OF SET-OFF; ADJUSTMENTS.

Upon the occurrence and during the continuance of any Event of Default,

each Lender (and each of its Affiliates) is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender (or any of its Affiliates) to or for the credit or the account of any Credit Party against any and all of the obligations of such Person now or hereafter existing under this Credit Agreement, under the Notes, under any other Credit Document or otherwise, irrespective of whether such Lender shall have made any demand under hereunder or thereunder and although such obligations may be unmatured. Each Lender agrees promptly to notify any affected Credit Party after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 11.2 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

11.3 BENEFIT OF AGREEMENT.

(a) This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that none of the Credit Parties may assign or transfer any of its interests and obligations without prior written consent of the Lenders; provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 11.3.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Credit Agreement (including, without limitation, all or a portion of its Loans, its Notes, and its Commitment); provided, however, that

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender or an assignment of all of a Lender's rights and obligations under this Credit Agreement, any such partial assignment shall be in an amount at least equal to

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\$5,000,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of \$1,000,000 in excess thereof;

(iii) each such assignment by a Lender shall be of a constant, and not varying, percentage of all of its rights and obligations under this Credit Agreement and the Notes; and

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent for its acceptance an Assignment and Acceptance in the form of Exhibit 11.3(b) hereto, together with any Note subject to such assignment and a processing fee of \$3,500.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Credit Agreement. Upon the consummation of any assignment pursuant to this Section 11.3(b), the assignor, the Administrative Agent and the Credit Parties shall make appropriate arrangements so that, if required, new Notes are issued to the assignor

and the assignee. If the assignee is not a United States person under Section 7701(a)(30) of the Code, it shall deliver to the Credit Parties and the Administrative Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.11.

(c) The Administrative Agent shall maintain at its address referred to in Section 11.1 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Credit Parties, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Credit Parties or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit 11.3(b) hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Credit Agreement (including all or a portion of its Commitment or its Loans); provided, however, that

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(i) such Lender's obligations under this Credit Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Sections 3.7 through 3.12, inclusive, and the right of set-off contained in Section 11.2, and (iv) the Credit Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement, and such Lender shall retain the sole right to enforce the obligations of the Credit Parties relating to the Credit Party Obligations owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Credit Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, or extending its Commitment).

(f) Notwithstanding any other provision set forth in this Credit Agreement, any Lender may at any time assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) Any Lender may furnish any information concerning the Consolidated Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 11.14 hereof.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Designating Lender") may grant to a special purpose funding vehicle (a "SPV"), identified as such in writing from time to time by the Designating Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Designating Lender would otherwise be obligated to make to the Borrower pursuant to this Credit Agreement; provided that (i) nothing herein shall constitute a commitment by any SPV to make any Loan, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Designating Lender shall be obligated to make such Loan pursuant to the terms hereof, (iii) the Designating Lender shall remain liable for any indemnity or other payment obligation with respect to its Commitment hereunder, (iv) no SPV shall have any voting rights pursuant to Section 11.1, (v) with respect to notices, payments and other matters hereunder, the Credit Parties, the Administrative Agent and the Lenders shall not be obligated to deal with a SPV, but may limit their communications and other dealings relevant to such SPV to the applicable Granting Lender and (vi) each such SPV would satisfy the requirements of Section 3.11(d) if such SPV were a Lender hereunder. The making of a Loan by an SPV hereunder shall utilize the Commitment of the Designating Lender to the same extent, and as if, such Loan were made by such Designating Lender. No additional Note shall be required to evidence the Loans or portion thereof made by an

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SPV; and the related Designating Lender shall be deemed to hold its Note as agent for such SPV to the extent of the Loans or portion thereof funded by such SPV. In addition, any payments for the account of any SPV shall be paid to its Designating Lender as agent for such SPV. Each party hereto hereby agrees that no SPV shall be liable for any indemnity or payment under this Credit Agreement for which a Lender would otherwise be liable for so long as, and to the extent, the Designating Lender provides such indemnity or makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Credit Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding prior indebtedness of any SPV, it will not institute against, or join any other person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 11.3 or otherwise in this Credit Agreement, any SPV may (x) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign or participate all or a portion of its interest in any Loans to the Designating Lender or to any financial institutions (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support to or for the account of such SPV to support the funding or maintenance of Loans and (y) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancements to such SPV. This Section 11.3(h) may not be amended without the written consent of any Designating Lender affected thereby.

11.4 NO WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Administrative Agent or any Lender and any of the Credit Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder

or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle the Credit Parties to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.5 EXPENSES; INDEMNIFICATION.

(a) The Credit Parties jointly and severally agree to pay on demand all costs and expenses of the Administrative Agent in connection with the syndication, preparation, execution, delivery, administration, modification, and amendment of this Credit Agreement, the other Credit

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Documents, and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent (including the cost of internal counsel) with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under the Credit Documents. The Credit Parties further jointly and severally agree to pay on demand all costs and expenses of the Administrative Agent and the Lenders, if any (including, without limitation, reasonable attorneys' fees and expenses and the cost of internal counsel), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Credit Documents and the other documents to be delivered hereunder.

(b) The Credit Parties jointly and severally agree to indemnify and hold harmless the Administrative Agent and each Lender and each of their Affiliates and their respective officers, directors, employees, agents, and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation, or proceeding or preparation of defense in connection therewith) the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans (including any of the foregoing arising from the negligence of the Indemnified Party), except to the extent such claim, damage, loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 11.5 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any of the Credit Parties, their respective directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Credit Parties agree not to assert any claim against the Administrative Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys, agents, and advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans.

(c) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this Section 11.5 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

11.6 AMENDMENTS, WAIVERS AND CONSENTS.

Neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing entered into by, or approved in writing by, the Required Lenders and the Borrower, provided, however, that:

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(i) without the consent of each Lender affected thereby, neither this Credit Agreement nor any other Credit Document may be amended to

(a) extend the final maturity of any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit,

(b) reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or Fees hereunder,

(c) reduce or waive the principal amount of any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit,

(d) increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender),

(e) except as the result of or in connection with a dissolution or merger permitted by Section 8.4, release the Borrower or any Guarantor from its or their obligations under the Credit Documents,

(f) amend, modify or waive any provision of this Section 11.6 or 9.1(a), 11.2, 11.3, 11.5 or 11.9,

(g) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders, or

(h) consent to the assignment or transfer by the Borrower or all or substantially all of the other Credit Parties of any of its or their rights and obligations under (or in respect of) the Credit Documents except as permitted thereby;

(ii) without the consent of the Administrative Agent, no provision of Section 10 may be amended; and

(iii) without the consent of the Issuing Lender, no provision of Section 2.2 may be amended, and without the consent of the Swingline Lender, no provision of Section 2.3 may be amended.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees

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fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

11.7 COUNTERPARTS.

This Credit Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Credit Agreement to produce or account for more than one such counterpart for each of the parties hereto. Delivery by facsimile by any of the parties hereto of an executed counterpart of this Credit Agreement shall be as effective as an original executed counterpart hereof and shall be deemed a representation that an original executed counterpart hereof will be delivered.

11.8 HEADINGS.

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

11.9 SURVIVAL.

All indemnities set forth herein, including, without limitation, in Section 2.2(i), 3.11, 3.12, 10.5 or 11.5 shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the issuance of the Letters of Credit, the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder, and all representations and warranties made by the Credit Parties herein shall survive delivery of the Notes and the making of the Loans hereunder.

11.10 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE.

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

further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address set out for notices pursuant to Section 11.1, such service to become effective three (3) days after such mailing. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against any Credit Party in any other jurisdiction.

(b) Each of the Credit Parties hereby irrevocably waives

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

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

11.11 SEVERABILITY.

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

11.12 ENTIRETY.

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

11.13 BINDING EFFECT; TERMINATION.

(a) This Credit Agreement shall become effective at such time when all of the conditions set forth in Section 5.1 have been satisfied or waived by the Lenders and it shall have been executed by each Credit Party and the Administrative Agent, and the Administrative Agent shall have received copies hereof (telexed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Credit

Agreement shall be binding upon and inure to the benefit of each Credit Party, the Administrative Agent and each Lender and their respective successors and assigns.

(b) The term of this Credit Agreement shall be until no Loans, LOC Obligations or any other amounts payable hereunder or under any of the other Credit Documents shall remain outstanding, no Letters of Credit shall be outstanding, all of the Credit Party Obligations have been irrevocably satisfied in full and all of the Commitments hereunder shall have expired or been terminated.

11.14 CONFIDENTIALITY.

The Administrative Agent and each Lender (each, a "Lending Party") agrees to keep confidential any information furnished or made available to it by the Credit Parties pursuant to this Credit Agreement that is marked confidential; provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, agent, or advisor of any Lending Party or Affiliate of any Lending Party, (b) to any other Person if reasonably incidental to the administration of the credit facility provided herein, (c) as required by any law, rule, or regulation, (d) upon the order of

any court or administrative agency, (e) upon the request or demand of any regulatory agency or authority, (f) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Credit Agreement, (g) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (h) to the extent necessary in connection with the exercise of any remedy under this Credit Agreement or any other Credit Document, and (i) subject to provisions substantially similar to those contained in this Section 11.14, to any actual or proposed participant or assignee.

11.15 USE OF SOURCES.

Each of the Lenders hereby represents and warrants to the Borrower that at least one of the following statements is an accurate representation as to the course of funds to be used by such lender in connection with the financing hereunder:

(a) no part of such funds constitutes assets allocated to any separate account maintained by such lender in which any employee benefit plan (or its related trust) has any interest;

(b) to the extent that any part of such funds constitutes assets allocated to any separate account maintained by such lender, such Lender has disclosed to the Borrower the name of each employee benefit plan whose assets in such account exceed 10% of the total assets of such account as of the date of such purchase (and, for purposes of this subsection (b), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan;

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(c) to the extent that any part of such funds constitutes assets of an insurance company's general account, such insurance company has complied with all of the requirements of the regulations issued under Section 401(e)(a)(A) of ERISA; or

(d) such funds constitute assets of one or more specific benefit plans which such Lender has identified in writing to the Borrower.

As used in this Section 11.15, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

11.16 CONFLICT.

To the extent that there is a conflict or inconsistency between any provision hereof, on the one hand, and any provision of any Credit Document, on the other hand, this Credit Agreement shall control.

[Signature Page to Follow]

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

BORROWER: UNIFI, INC.,

a New York corporation

By: Willis C. Moore, III

Name: Willis C. Moore, III

Title: Executive Vice President/CFO

SUBSIDIARY GUARANTORS:

UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President/Secretary & General Counsel

UNIFI MANUFACTURING, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President/Secretary & General Counsel

UNIFI EQUIPMENT LEASING, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President/Secretary & General Counsel

UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President/Secretary & General Counsel

UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President & Secretary

UNIFI INTERNATIONAL SERVICE, INC.,

a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President & Secretary

UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President & Secretary

SPANCO INDUSTRIES, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President & Secretary

SPANCO INTERNATIONAL, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: Vice President & Secretary

LENDERS:

BANK OF AMERICA, N.A.,
individually in its capacity as a Lender and in its
capacity as Administrative Agent

By: Deirdre B. Doyle

Name: Deirdre B. Doyle

Title: Principal

CREDIT SUISSE FIRST BOSTON

By: William S. Lutkins

Name: William S. Lutkins

Title: Vice President

WACHOVIA BANK, N.A.

By: Michael H. Trainor

Name: Michael H. Trainor

Title: Vice President

CITIBANK N.A.

By: Henry J. Matthews

Name: Henry J. Matthews

Title: Vice President

THE CHASE MANHATTAN BANK

By: James A. Knight

Name: James A. Knight

Title: Vice President

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FIRST UNION NATIONAL BANK

By: Lance Walton

Name: Lance Walton

Title: SVP

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: James W. Masters

Name: James W. Masters

Title: Vice President

BANK HAPOALIM B.M.

By: Shaun Breidbart

Name: Shaun Breidbart

Title: Vice President

FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER

THIS FIRST AMENDMENT TO CREDIT AGREEMENT AND WAIVER dated as of August 14, 2001 (this "Amendment") is by and among UNIFI, INC., a New York corporation (the "Borrower"), the Borrower's Domestic Subsidiaries party hereto (individually a "Guarantor" and collectively the "Guarantors"), the Lenders party hereto and BANK OF AMERICA, N.A., as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent"). All capitalized terms used herein and not otherwise defined shall have the meanings provided in the Credit Agreement (as defined below).

WITNESSETH:

WHEREAS, the Borrower, the Guarantors, the Lenders and the Administrative Agent entered into that certain Credit Agreement dated as of December 20, 2000 (as amended and modified from time to time, the "Credit Agreement");

WHEREAS, the Borrower notified the Administrative Agent on July 24, 2001 of the existence of an Event of Default under the Credit Agreement as a result of the failure of the Credit Parties to comply with the terms of Section 7.11(i) of the Credit Agreement as of the fiscal quarter ended June 24, 2001 (the "Acknowledged Event of Default");

WHEREAS, the Borrower has asked the Lenders to waive exercising their rights and remedies arising under the Credit Agreement and the other Credit Documents as a result of the Acknowledged Event of Default until October 31, 2001 (the "Waiver Termination Date"), including their right to accelerate the full outstanding balance of the Credit Party Obligations. The Administrative Agent and the Lenders have agreed to do so, but only upon the terms and conditions set forth herein;

WHEREAS, the parties hereto have agreed to amend the Credit Agreement as set forth herein;

NOW, THEREFORE, in consideration of the agreements contained herein and other good and valuable consideration, the parties hereby agree as follows:

1. Reaffirmation of Existing Debt. The Credit Parties acknowledge and confirm that (a) the Borrower's obligation to repay the outstanding principal amount of the Loans and to reimburse the Issuing Lender for any drawing on a Letter of Credit is unconditional and not subject to any offsets, defenses or counterclaims, (b) the Administrative Agent and the Lenders have performed fully all of their respective obligations under the Credit Agreement and the other Credit Documents, and (c) by entering into this Amendment, the Lenders do not waive or release (except as specifically provided herein) any term or condition of

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the Credit Agreement or any of the other Credit Documents or any of their rights or remedies under such Credit Documents or applicable law or any of the obligations of any Credit Party thereunder.

2. Waiver. Subject to the terms and conditions of this Amendment, the Administrative Agent and the Lenders agree to waive exercising their rights under the Credit Agreement and the other Credit Documents (other than this Amendment), to the extent and only to the extent such rights arise exclusively as a result of the Acknowledged Event of Default; provided, however, the Administrative Agent and the Lenders shall be free to exercise any or all of their rights and remedies arising on account of any Default or Event of Default under the Credit Agreement or any other Credit Document, including without limitation the Acknowledged Event of Default, at any time after the occurrence of a Waiver Termination Event (as defined below) or the Waiver Termination Date.

The term "Waiver Termination Event" shall mean the existence or occurrence of any Default or Event of Default under the Credit Agreement or any other Credit Document (including a breach of any term of this Amendment) other than the Acknowledged Event of Default.

3. Amended Definitions. The following definitions in Section 1.1 of the Credit Agreement are hereby amended as follows:

(a) The definition of "Applicable Percentage" is amended and restated in its entirety to read as follows:

"Applicable Percentage" means, (i) with respect to Eurodollar Loans, Swingline CD Loans and Letter of Credit Fees, 2.0%, (ii) with respect to Base Rate Loans 0% and (iii) with respect to Facility Fees, 0.5%.

(b) The definition of "Revolving Committed Amount" is amended and restated in its entirety to read as follows:

"Revolving Committed Amount" means ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000), as such amount may be reduced pursuant to Section 3.4 or increased pursuant to Section 2.1(f).

(c) The definition of "Utilization Fee" is deleted in its entirety.

4. Schedule 2.1(a). Schedule 2.1(a) is hereby amended and replaced in its entirety with Schedule 2.1(a) attached hereto.

5. Conditions Precedent. This Amendment shall become immediately effective (the "Effective Date") upon the receipt by the Administrative Agent of the following, each in form and substance satisfactory to the Administrative Agent and the Lenders:

(a) Executed Amendment. Receipt by the Administrative Agent of a duly executed copy of this Amendment.

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(b) Opinions of Counsel. The Administrative Agent shall have received an opinion, or opinions, dated as of the Effective Date from counsel to the Credit Parties.

(c) Amendment Fee. Payment by the Credit Parties to the Administrative Agent, for the pro rata benefit of each Lender approving this Amendment prior to August 14, 2001, an amendment fee of \$150,000.

6. Miscellaneous.

(a) The term "Credit Agreement" as used in each of the Credit Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as herein specifically agreed, the Credit Agreement and the obligations of the Credit Parties thereunder and under the other Credit Documents are hereby ratified and confirmed and shall remain in full force and effect according to their terms.

(b) The Credit Parties represent and warrant to the Lenders that (i) the representations and warranties of the Credit Parties set forth in Section 6 of the Credit Agreement are true and correct as of the date hereof, (ii) no event has occurred and is continuing which constitutes a Default or an Event of Default (other than the Acknowledged Event of Default) and (iii) no Credit Party has any counterclaims, offsets, credits or defenses to the Credit Documents and the performance of its obligations thereunder, or if any Credit

Party has any such claims, counterclaims, offsets, credits or defenses to the Credit Documents or any transaction related to the Credit Documents, the same are hereby waived, relinquished and released in consideration of the Lenders' execution and delivery of this Amendment.

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

(d) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA.

(e) This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Each Credit Party hereby represents and warrants as follows:

(i) Each Credit Party has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by the Credit Parties and constitutes legal, valid and binding obligations of the Credit

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Parties, enforceable in accordance with its terms, except as such enforceability may be subject to (A) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by any Credit Party of this Amendment.

(g) The Guarantors (i) acknowledge and consent to all of the terms and conditions of this Amendment, (ii) affirm all of their obligations under the Credit Documents and (iii) agree that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge the Guarantors' obligations under the Credit Agreement or the other Credit Documents.

(h) This Amendment, together with the other Credit Documents, represents the entire agreement of the parties and supersedes all prior agreements and understandings, oral or written, if any, relating to the Credit Documents or the transactions contemplated herein and therein.

[remainder of page intentionally left blank]

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Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER: UNIFI, INC., a New York corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP, Secretary & General Counsel

GUARANTORS: UNIFI SALES & DISTRIBUTION, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI MANUFACTURING, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI EQUIPMENT LEASING, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI MANUFACTURING VIRGINIA, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI EXPORT SALES, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI INTERNATIONAL SERVICE, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI TECHNICAL FABRICS, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

SPANCO INDUSTRIES, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

SPANCO INTERNATIONAL, INC.,
a North Carolina corporation

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

UNIFI TEXTURED POLYESTER, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

GLENTOUCH YARN COMPANY, LLC,
a North Carolina limited liability company

By: Charles F. McCoy

Name: Charles F. McCoy

Title: VP & Secretary

LENDERS:

BANK OF AMERICA, N.A., individually in its capacity as a Lender and in its capacity as the Administrative Agent

By: E. Phifer Helms

Name: E. Phifer Helms

Title: Managing Director

CREDIT SUISSE FIRST BOSTON

By: Bill O'Daly

Name: Bill O'Daly

Title: Assistant Vice President

WACHOVIA BANK, N.A.

By: Michael H. Trainor

Name: Michael H. Trainor

Title: Vice President

CITIBANK, N.A.

By: Dennis I. Bermack

Name: Dennis I. Bermack

Title: Managing Director

THE CHASE MANHATTAN BANK

By: Thomas H. Bell

Name: Thomas H. Bell

Title: VP

FIRST UNION NATIONAL BANK

By: David J.C. Silander

Name: David J.C. Silander

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: James W. Masters

Name: James W. Masters

Title: Senior Vice President

BANK HAPOALIM B.M.

By: -----

Name: -----

Title: -----

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EXHIBIT I

DEFINITIONS

AS USED IN THIS AGREEMENT, THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING MEANINGS (SUCH MEANINGS TO BE EQUALLY APPLICABLE TO BOTH THE SINGULAR AND PLURAL FORMS OF THE TERMS DEFINED):

"ADJUSTED DILUTION RATIO" means, at any time, the rolling average of the Dilution Ratio for the 12 Calculation Periods then most recently ended.

"ADVERSE CLAIM" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"AGENT" has the meaning set forth in the preamble to this Agreement.

"AGENT'S ACCOUNT" means account #8735-098787 at Wachovia Bank, N.A., ABA #053100494.

"AGGREGATE INVESTED AMOUNT" means, on any date of determination, the aggregate Invested Amount of all Receivable Interests outstanding on such date.

"AGGREGATE REDUCTION" has the meaning specified in Section 1.3.

"AGGREGATE UNPAIDS" means, at any time, an amount equal to the sum of (i) the Aggregate Invested Amount, plus (ii) all Recourse Obligations (whether due or accrued) at such time.

"AGREEMENT" means this Receivables Purchase Agreement, as it may be amended or modified and in effect from time to time.

"ALTERNATE BASE RATE" means for any day, the rate per annum equal to the higher as of such day of (i) the Prime Rate, or (ii) one-half of one percent (0.50%) above the Federal Funds Rate. For purposes of determining the Alternate Base Rate for any day, changes in the Prime Rate or the Federal Funds Rate shall be effective on the date of each such change.

"AMORTIZATION DATE" means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 6.2 are not

satisfied, (ii) the Business Day

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immediately prior to the occurrence of an Event of Bankruptcy with respect to any Seller Party, (iii) the Business Day specified in a written notice from the Agent following the occurrence of any other Amortization Event, and (iv) the date which is 5 Business Days after the Agent's receipt of written notice from Seller that it wishes to terminate the facility evidenced by this Agreement.

"AMORTIZATION EVENT" has the meaning specified in Article IX.

"APPROVED FACTORING OBLIGOR" means any of The CIT Group, Inc., GE Capital Corporation or HSBC Bank.

"APPROVED JURISDICTION" means (a) the United States or any political subdivision thereof, or (b) Canada or any province thereof other than Quebec or Newfoundland.

"AUTHORIZED OFFICER" means, with respect to any Person, its president, corporate controller, treasurer or chief financial officer.

"BLUE RIDGE" has the meaning set forth in the preamble to this Agreement.

"BLUE RIDGE'S PORTION" means, on any date of determination, the sum of the percentages represented by the Receivable Interests.

"BROKEN FUNDING COSTS" means for any Receivable Interest which: (i) has its Invested Amount reduced without compliance by Seller with the notice requirements hereunder, except as otherwise specified in this Agreement or (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice as a result of the Seller failing to pay any or all of the amount of such Aggregate Reduction or (iii) is assigned by Blue Ridge to the Liquidity Banks under the Liquidity Agreement or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the CP Costs or Yield (as applicable) that would have accrued during the remainder of the Tranche Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Receivable Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Invested Amount of such Receivable Interest if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Invested Amount is allocated to another Receivable Interest, the amount of CP Costs or Yield actually accrued during the remainder of such period on such Invested Amount for the new Receivable Interest, and (y) to the extent such Invested Amount is not allocated to another Receivable Interest, the income, if any, actually received during the remainder of such period by the holder of such Receivable Interest from investing the portion of such Invested Amount not so allocated. All Broken Funding Costs shall be due and payable hereunder upon demand.

"BUSINESS DAY" means any day on which banks are not authorized or required to close in New York, New York or Atlanta, Georgia, Greensboro, North Carolina and The Depository Trust Company of New York is open for business, and, if the applicable Business

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Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London

interbank market.

"CALCULATION PERIOD" means each Fiscal Month or portion thereof which elapses during the term of the Agreement. The first Calculation Period shall commence on the date of the initial Purchase hereunder and the final Calculation Period shall terminate on the Final Payout Date.

"CHANGE OF CONTROL" means (a) the acquisition by any Person, or two or more Persons acting in concert (who are not as of the Closing Date, beneficial owners of any voting Equity Interests of Unifi), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of Unifi, or (b) Unifi ceases to own 100% of the outstanding shares of voting stock of Seller.

"COLLECTION ACCOUNT" means each concentration account, depositary account, lock-box account or similar account in which any Collections are collected or deposited and which is listed on Exhibit IV.

"COLLECTION ACCOUNT AGREEMENT" means an agreement substantially in the form of Exhibit VI among an Originator, Servicer, Seller, the Agent and a Collection Bank.

"COLLECTION BANK" means, at any time, any of the banks holding one or more Collection Accounts.

"COLLECTION NOTICE" means a notice, in substantially the form of Annex A to Exhibit VI, from the Agent to a Collection Bank.

"COLLECTIONS" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

"COMMERCIAL PAPER" means promissory notes of Blue Ridge issued by Blue Ridge in the commercial paper market.

"CONTINGENT OBLIGATION" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"CONTRACT" means, (a) with respect to any Trade Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Trade Receivable

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arises or which evidences such Trade Receivable, and (b) with respect to any Factoring Receivable, any and all factoring agreements, instruments, invoices, statements or other writings pursuant to which such Factoring Receivable arises or which evidences such Factoring Receivable.

"CP COSTS" means, for each day, the sum of (i) discount or interest accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase or financing facilities

which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase or financing facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any investment of Blue Ridge pursuant to the terms of any receivable purchase or financing facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Seller shall request any Purchase during any period of time determined by the Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Purchase, the principal associated with any such Purchase shall, during such period, be deemed to be funded by Blue Ridge in a special pool (which may include capital associated with other receivable purchase or financing facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such principal.

"CREDIT AND COLLECTION POLICY" means Seller's credit and collection policies and practices relating to Contracts and Trade Receivables existing on the date hereof and summarized in Exhibit VII hereto, as modified from time to time in accordance with this Agreement.

"CUT-OFF DATE" means the last day of a Calculation Period.

"DAYS SALES OUTSTANDING" means, as of any day, an amount equal to the product of (x) 91, multiplied by (y) the amount obtained by dividing (i) the aggregate outstanding balance of Receivables as of the most recent Cut-Off Date, by (ii) the aggregate amount of Receivables created during the three (3) Calculation Periods including and immediately preceding such Cut-Off Date.

"DEEMED COLLECTIONS" means Collections deemed received by Seller under Section 1.4(a).

"DEFAULT HORIZON RATIO" means, as of any Cut-Off Date, the ratio (expressed as a decimal) computed by dividing (i) the aggregate sales generated by the Originators during the 4 Calculation Periods ending on such Cut-Off Date, by (ii) the Net Pool Balance as of such Cut-off Date.

"DEFAULT RATE" means a rate per annum equal to the sum of (i) the Alternate Base Rate plus (ii) 2.00%, changing when and as the Alternate Base Rate changes.

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"DEFAULT RATIO" means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (x) the total amount of Eligible Receivables which became Defaulted Receivables during the Calculation Period that includes such Cut-Off Date, by (y) the aggregate sales generated by the Originators during the Calculation Period occurring 5 months prior to the Calculation Period ending on such Cut-Off Date.

"DEFAULT TRIGGER RATIO" means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (a) the total amount of Defaulted Receivables as of such Cut-Off Date, by (b) the aggregate Outstanding Balance of all Receivables as of such Cut-Off Date.

"DEFAULTED RECEIVABLE" means a Receivable: (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off Seller's books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for 91 days or more from the original due date for such payment.

"DELINQUENCY RATIO" means, at any time, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Delinquent Receivables at such time divided by (ii) the aggregate Outstanding Balance of

all Receivables at such time.

"DELINQUENT RECEIVABLE" means a Receivable as to which any payment, or part thereof, remains unpaid for 61-90 days from the original due date for such payment.

"DEMAND ADVANCE" means any advance made by Seller to Unifi at any time while it is acting as the Servicer, which advance (a) is payable upon demand, (b) is not evidenced by an instrument, chattel paper or a certificated security, (c) bears interest at a market rate determined by Seller and the Servicer from time to time, (d) is not subordinated to any other Indebtedness or obligation of the Servicer, and (e) may not be offset by Unifi against amounts due and owing from Seller to it under its Subordinated Note; PROVIDED, HOWEVER, that no Demand Advance may be made after the Facility Termination Date or on any date prior to the Facility Termination Date on which an Amortization Event or an Unmatured Amortization Event exists and is continuing.

"DILUTION" means the amount of any reduction or cancellation of the Outstanding Balance of a Receivable as described in Section 1.4(a).

"DILUTION HORIZON RATIO" means, as of any Cut-off Date, a ratio (expressed as a decimal), computed by dividing (i) the aggregate sales generated by the Originators during the 2 Calculation Periods ending on such Cut-Off Date, by (ii) the Net Pool Balance as of such Cut-Off Date.

"DILUTION RATIO" means, as of any Cut-Off Date, a ratio (expressed as a percentage), computed by dividing (i) the total amount of decreases in Outstanding Balances due to Dilutions during the Calculation Period ending on such Cut-Off Date, by (ii) the aggregate sales generated by the Originators during the Calculation Period prior to the Calculation Period ending on such Cut-Off Date.

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"DILUTION RESERVE" means, for any Calculation Period, the product (expressed as a percentage) of:

(a) the sum of (i) two (2) times the Adjusted Dilution Ratio as of the immediately preceding Cut-Off Date, plus (ii) the Dilution Volatility Component as of the immediately preceding Cut-Off Date, TIMES

(b) the Dilution Horizon Ratio as of the immediately preceding Cut-Off Date.

"DILUTION VOLATILITY COMPONENT" means the product (expressed as a percentage) of (i) the difference between (a) the highest three (3)-month rolling average Dilution Ratio over the past 12 Calculation Periods and (b) the Adjusted Dilution Ratio, and (ii) a fraction, the numerator of which is equal to the amount calculated in (i) (a) of this definition and the denominator of which is equal to the amount calculated in (i) (b) of this definition.

"DOWNGRADED LIQUIDITY BANK" means a Liquidity Bank which has been the subject of a Downgrading Event.

"DOWNGRADING EVENT" with respect to any Person means the lowering of the rating with regard to the short-term securities of such Person to below (i) A-1 by S&P, or (ii) P-1 by Moody's.

"ELIGIBLE ASSIGNEE" means a commercial bank having a combined capital and surplus of at least \$250,000,000 with a rating of its (or its parent holding company's) short-term securities equal to or higher than (i) A-1 by S&P and (ii) P-1 by Moody's.

"ELIGIBLE RECEIVABLE" means, at any time, a Receivable:

(i) the Obligor of which is not an Affiliate of any of the parties hereto;

(ii) the Obligor of which (a) if a natural person, is a resident of an Approved Jurisdiction, or (b) if a corporation or other business organization, is organized under the laws of an Approved Jurisdiction and has its chief executive office in an Approved Jurisdiction; PROVIDED, HOWEVER, that in no event will Eligible Receivables owing from Obligors which are residents of or organized under the laws of Canada or any of its provinces other than Quebec and Newfoundland exceed 10% of total Receivables;

(iii) the Obligor of which (a) is not a state or local government, governmental subdivision or agency, and (b) is not the Federal government, governmental subdivision or agency unless Seller has complied with the Federal Assignment of Claims Act and any other applicable statute or regulation restricting the assignment of claims against such Obligor or the direct enforcement by any assignee of the applicable Originator against such Obligor,

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(iv) the Obligor of which is an Approved Factoring Obligor (if such Receivable is a Factoring Receivable),

(v) which is not a Defaulted Receivable,

(vi) which, if such Receivable is a Trade Receivable, constitutes an "account" or "chattel paper" under Article 9 of the UCC of all applicable jurisdictions,

(vii) in which, the perfection of the Seller's interest under the Receivables Sale Agreement, and the Agent's interest, for the benefit of the Purchaser, under this Agreement, is governed by the laws of a jurisdiction where the Uniform Commercial Code - Secured Transactions is in force;

(viii) the Obligor of which is not the Obligor of Receivables as to which not more than 25% of the aggregate unpaid balance of all Receivables of such Obligor of which are Defaulted Receivables;

(ix) the original term of which has not been extended,

(x) which by its terms is due and payable within 30 days of the original billing date therefor,

(xi) which is denominated and payable only in United States dollars in the United States,

(xii) which constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, counterclaim or other defense,

(xiii) which arises under a Contract which (A) does not require the Obligor under such Contract to consent to the transfer, sale, pledge or assignment of the rights and duties of the applicable Originator or any of its assignees under such Contract and (B) does not contain a confidentiality

provision that purports to restrict the ability of Blue Ridge to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,

(xiv) which, if such Receivable is a Trade Receivable, represents an obligation to pay a specified sum of money, contingent only upon the sale of goods or the provision of services by the applicable Originator, which sale or provision has occurred,

(xv) which, together with the Contract related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices

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and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation,

(xvi) which satisfies all applicable requirements of the Credit and Collection Policy,

(xvii) which was generated in the ordinary course of the applicable Originator's business,

(xviii) which, if such Receivable is a Trade Receivable, arises solely from the sale of goods or the provision of services to the related Obligor by the applicable Originator,

(xix) which is not subject to any dispute, counterclaim, right of rescission, set-off, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the applicable Originator or any other Adverse Claim, and the Obligor thereon holds no right as against such Originator to cause such Originator to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract); PROVIDED, HOWEVER, that if such dispute, offset, counterclaim or defense affects only a portion of the Outstanding Balance of such Receivable, then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected, and PROVIDED, FURTHER, that Receivables of any Obligor which has any accounts payable by the applicable Originator or by a wholly-owned Subsidiary of such Originator (thus giving rise to a potential offset against such Receivables) may be treated as Eligible Receivables to the extent that the Obligor of such Receivables has agreed pursuant to a written agreement in form and substance satisfactory to the Agent, that such Receivables shall not be subject to such offset,

(xx) as to which the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor,

(xxi) as to which each of the representations and warranties contained in Sections 5.1(g), (i), (j), (r), (s), (t) and (u) is true and correct, and

(xxii) all right, title and interest to and in which has been validly transferred by the applicable Originator directly to Seller under and in accordance with the Receivables Sale Agreement, and Seller has good and marketable title thereto free and clear of any Adverse Claim (other than as created under this Agreement).

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"EQUITY INTERESTS" means, with respect to any Person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or non-voting), of capital of such Person, including, if such Person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership, whether outstanding on the date hereof or issued after the date of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) under common control with Unifi within the meaning of Section 414(b) or (c) of the Tax Code (and Sections 414(m) and (o) of the Tax Code for purposes of provisions relating to Section 412 of the Tax Code).

"EVENT OF BANKRUPTCY" shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

"FACILITY ACCOUNT" means Seller's account no. 8731051555 at Wachovia.

"FACILITY TERMINATION DATE" means the earlier of (i) the Liquidity Termination Date and (ii) the Amortization Date.

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"FACTORING COMPANY RECEIVABLE" means all of an Originator's rights to payment (whether of purchase price, proceeds of advances, or otherwise) from any factor who has purchased or financed any indebtedness or obligation that would meet the definition of a "Trade Receivable" but for the first proviso in such definition.

"FEDERAL BANKRUPTCY CODE" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any period, a fluctuating interest rate per annum for each day during such period equal to (i) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (ii) if such rate is not so published for any day which is a Business Day, the average rate of the quotations at approximately 11:30 a.m. (New York time) for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"FEE LETTER" means that certain letter agreement dated as of December 19, 2000 among Seller, Unifi and the Agent, as it may be amended, restated or otherwise modified and in effect from time to time.

"FINAL PAYOUT DATE" means the date on which all Aggregate Unpays have been paid in full and the Purchase Limit has been reduced to zero.

"FINANCE CHARGES" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"FISCAL MONTH" means the fiscal months of the Seller as set forth on Schedule B attached hereto.

"FUNDING AGREEMENT" means (i) this Agreement, (ii) the Liquidity Agreement and (iii) any other agreement or instrument executed by any Funding Source with or for the benefit of Blue Ridge.

"FUNDING SOURCE" means (i) any Liquidity Bank or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to Blue Ridge.

"GAAP" means generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

"INCREMENTAL PURCHASE" means a purchase of one or more Receivable Interests which increases the total outstanding Aggregate Invested Amount hereunder.

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"INDEBTEDNESS" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the

proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"INDEMNIFIED AMOUNTS" has the meaning specified in Section 10.1.

"INDEMNIFIED PARTY" has the meaning specified in Section 10.1.

"INDEPENDENT DIRECTOR" shall mean a member of the Board of Directors of Seller who is not at such time, and has not been at any time during the preceding five (5) years: (A) a director, officer, employee or affiliate of Unifi, any Originator or any of their respective Subsidiaries or Affiliates (other than Seller), or (B) the beneficial owner (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director) of any of the outstanding common shares of Seller, any Originator, or any of their respective Subsidiaries or Affiliates, having general voting rights.

"INVESTED AMOUNT" of any Receivable Interest means, at any time, (A) the Purchase Price of such Receivable Interest, minus (B) the sum of the aggregate amount of Collections and other payments received by the Agent which in each case are applied to reduce such Invested Amount in accordance with the terms and conditions of this Agreement; PROVIDED THAT such Invested Amount shall be restored (in accordance with Section 2.5) in the amount of any Collections or other payments so received and applied if at any time the distribution of such Collections or payments are rescinded, returned or refunded for any reason.

"LIBO RATE" means, for any Tranche Period, the rate per annum determined on the basis of the offered rate for deposits in U.S. dollars of amounts equal or comparable to the Invested Amount offered for a term comparable to such Tranche Period, which rates appear on a Bloomberg L.P. terminal, displayed under the address "US0001M [Index] Q [Go]" effective as of 11:00 A.M., London time, two Business Days prior to the first day of such Tranche Period, PROVIDED that if no such offered rates appear on such page, the LIBO Rate for such Tranche Period will be (a) the arithmetic average (rounded upwards, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than two major banks in New York, New York, selected by the Agent, at approximately 10:00 a.m. (New York time), two Business Days prior to the first day of such Tranche Period, for deposits in U.S. dollars offered by leading European banks for a period comparable to such Tranche Period in an amount comparable to the Invested Amount, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal

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Reserve System as in effect from time to time (expressed as a decimal), applicable to such Tranche Period. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"LIQUIDITY AGREEMENT" means that certain Liquidity Asset Purchase Agreement dated as of December 19, 2000, by and among Blue Ridge, the Agent and the banks from time to time party thereto, as the same may be amended, restated and/or otherwise modified from time to time in accordance with the terms thereof.

"LIQUIDITY BANK" means each bank from time to time party to the Liquidity Agreement (other than the Agent acting in its capacity as the Agent thereunder).

"LIQUIDITY COMMITMENT" means, as to each Liquidity Bank, its commitment under the Liquidity Agreement. The Liquidity Commitments, in the aggregate, shall equal 102% of the Purchase Limit hereunder.

"LIQUIDITY FUNDING" means a purchase by any Liquidity Bank pursuant to its Liquidity Commitment of all or any portion of, or any undivided interest in, a Receivable Interest.

"LIQUIDITY TERMINATION DATE" means the earlier to occur of the following:

(a) the date on which the Liquidity Banks' Liquidity Commitments expire, cease to be available to Blue Ridge or otherwise cease to be in full force and effect; or

(b) the date on which a Downgrading Event with respect to a Liquidity Bank shall have occurred and been continuing for not less than 30 days, and either (i) the Downgraded Liquidity Bank shall not have been replaced by an Eligible Assignee pursuant to the Liquidity Agreement, or (ii) the Liquidity Commitment of such Downgraded Liquidity Bank shall not have been funded or collateralized in such a manner that will avoid a reduction in or withdrawal of the credit rating applied to the Commercial Paper to which such Liquidity Agreement applies by any of the rating agencies then rating such Commercial Paper.

"LOCK-BOX" means each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit IV.

"LOSS RESERVE" means, for any Calculation Period, the product (expressed as a percentage) of (a) 2.0, times (b) the highest three-month rolling average Default Ratio during the 12 Calculation Periods ending on the immediately preceding Cut-Off Date, times (c) the Default Horizon Ratio as of the immediately preceding Cut-Off Date.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (i) the financial condition or operations of any Seller Party and its Subsidiaries, (ii) the ability of any Seller Party to perform its obligations under this Agreement or the Performance Guarantor to perform its obligations under the Performance Undertaking, (iii) the legality, validity or enforceability of this

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Agreement or any other Transaction Document, (iv) the Agent's security interest, for the benefit of the Secured Parties, in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"MONTHLY REPORT" means a report, in substantially the form of Exhibit VIII hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"MONTHLY REPORTING DATE" means the 15th day of each month after the date of this Agreement (or if any such day is not a Business Day, the next succeeding Business Day thereafter).

"MOODY'S" means Moody's Investors Service, Inc.

"NET POOL BALANCE" means, at any time, the aggregate Outstanding Balance of all Eligible Receivables at such time reduced by the

aggregate amount by which the Outstanding Balance of all Eligible Receivables of each Obligor and its Affiliates exceeds the Obligor Concentration Limit for such Obligor.

"OBLIGOR" means a Person obligated to make payments pursuant to a Contract.

"OBLIGOR CONCENTRATION LIMIT" means, at any time, in relation to the aggregate Outstanding Balance of Receivables owed by any single Obligor and its Affiliates (if any), the applicable concentration limit shall be determined as follows for Obligors who have short term unsecured debt ratings currently assigned to them by S&P and Moody's (or in the absence thereof, the equivalent long term unsecured senior debt ratings), the applicable concentration limit shall be determined according to the following table:

S&P Rating -----	Moody's Rating -----	Allowable % of Eligible Receivables -----
A-1+	P-1	10%
A-1	P-1	8%
A-2	P-2	6%
A-3	P-3	3%
Below A-3 or Not Rated by either S&P or Moody's	Below P-3 or Not Rated by either S&P or Moody's	2.5%

; PROVIDED, HOWEVER, that (a) if any Obligor has a split rating, the applicable rating will be the lower of the two, (b) if any Obligor is not rated by either S&P or Moody's, the applicable Obligor Concentration Limit shall be the one set forth in the last line of the table above, and (c) subject to satisfaction of the Rating Agency Condition and/or an increase in the percentage set forth in clause (a) (i) of the definition of "REQUIRED RESERVE," upon Seller's request from time to time, the Agent may agree to a higher percentage of Eligible Receivables for a particular Obligor and its Affiliates (each such higher percentage, a "SPECIAL CONCENTRATION LIMIT"), it being

understood that any Special Concentration Limit may be cancelled by the Agent upon not less than five (5) Business Days' written notice to the Seller Parties.

"ORIGINATOR" means each of Unifi Sales & Distribution, Inc., a North Carolina corporation, and Unifi Export Sales, LLC, a North Carolina limited liability company, in its capacity as a seller under the Receivables Sale Agreement.

"OUTSTANDING BALANCE" of any Receivable at any time means the then outstanding principal balance thereof.

"PARTICIPANT" has the meaning set forth in Section 12.2.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"PENSION PLAN" means a pension plan (as defined in Section

3(2) of ERISA) subject to Title IV of ERISA which Unifi sponsors or maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

"PERFORMANCE GUARANTOR" means Unifi, Inc.

"PERFORMANCE UNDERTAKING" means that certain Performance Undertaking, dated as of December 19, 2000 by Performance Guarantor in favor of Seller, substantially in the form of Exhibit IX, as the same may be amended, restated or otherwise modified from time to time.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Unifi or any of its ERISA Affiliates sponsors or maintains or to which Unifi or any of its ERISA Affiliates makes, is making, or is obligated to make contributions and includes any Pension Plan, other than a Plan maintained outside the United States primarily for the benefit of Persons who are not U.S. residents.

"POOLED COMMERCIAL PAPER" means Commercial Paper notes of Blue Ridge subject to any particular pooling arrangement by Blue Ridge, but excluding Commercial Paper issued by Blue Ridge for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Blue Ridge.

"PRIME RATE" means a rate per annum equal to the prime rate of interest announced from time to time by Wachovia (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"PROPOSED REDUCTION DATE" has the meaning set forth in Section 1.3.

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"PURCHASE" means an Incremental Purchase or a Reinvestment.

"PURCHASE DATE" means each Business Day on which a Purchase is made hereunder.

"PURCHASE LIMIT" means \$100,000,000.

"PURCHASE NOTICE" has the meaning set forth in Section 1.2.

"PURCHASE PRICE" means, with respect to any Incremental Purchase of a Receivable Interest, the amount paid to Seller for such Receivable Interest which shall not exceed the least of (i) the amount requested by Seller in the applicable Purchase Notice, (ii) the unused portion of the Purchase Limit on the applicable purchase date and (iii) the excess, if any, of the Net Pool Balance (less the Required Reserve) on the applicable purchase date over the aggregate outstanding amount of Aggregate Invested Amount determined as of the date of the most recent Monthly Report, taking into account such proposed Incremental Purchase.

"PURCHASED ASSETS" means all of Seller's right, title and interest, whether now owned and existing or hereafter arising in and to all of the Receivables, the Related Security, the Collections and all proceeds of the foregoing.

"RATING AGENCY CONDITION" means that Blue Ridge has received

written notice from S&P and Moody's that an amendment, a change or a waiver will not result in a withdrawal or downgrade of the then current ratings on Blue Ridge's Commercial Paper.

"RECEIVABLE" means a Trade Receivable or a Factoring Company Receivable.

"RECEIVABLE INTEREST" means, at any time, an undivided percentage ownership interest (computed as set forth below) associated with a designated amount of Invested Amount, selected pursuant to the terms and conditions hereof in (i) each Receivable arising prior to the time of the most recent computation or recomputation of such undivided interest, (ii) all Related Security with respect to each such Receivable, and (iii) all Collections with respect to, and other proceeds of, each such Receivable. Each such undivided percentage interest shall equal:

$$\frac{IA + RR}{NPB}$$

WHERE:

IA = the Invested Amount of such Receivable Interest.

NPB = the Net Pool Balance.

RR = the Required Reserve.

Such undivided percentage ownership interest shall be initially computed on its date of purchase. Thereafter, until the Facility Termination Date, each Receivable Interest shall be automatically

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recomputed (or deemed to be recomputed) on each day prior to the Facility Termination Date. The variable percentage represented by any Receivable Interest as computed (or deemed recomputed) as of the close of the business day immediately preceding the Facility Termination Date shall remain constant at all times thereafter.

"RECEIVABLES SALE AGREEMENT" means that certain Receivables Sale Agreement, dated as of December 19, 2000, among the Originators and Seller, as the same may be amended, restated or otherwise modified from time to time.

"RECORDS" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"RECOURSE OBLIGATIONS" has the meaning set forth in Section 2.1.

"REDUCTION NOTICE" has the meaning set forth in Section 1.3.

"REGULATORY CHANGE" has the meaning set forth in Section 10.2.

"REINVESTMENT" has the meaning set forth in Section 2.2.

"RELATED SECURITY" means, with respect to any Receivable:

(i) all of Seller's right, title and interest in and to the Related Security (under and as defined in the Receivables Sale Agreement),

(ii) all of Seller's right, title and interest in, to and under the Receivables Sale Agreement in respect of such Receivable,

(iii) all of Seller's right, title and interest in and to the Demand Advances, and

(iv) all proceeds of any of the foregoing.

"REQUIRED LIQUIDITY BANKS" means, at any time, Liquidity Banks with Liquidity Commitments in excess of 50% of the aggregate amount of all Liquidity Commitments.

"REQUIRED NOTICE PERIOD" means the number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

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AGGREGATE REDUCTION -----	REQUIRED NOTICE PERIOD -----
less than 25% of the Purchase Limit	2 Business Days
greater than 25% but less than 50% of the Purchase Limit	5 Business Days
50% or more of the Purchase Limit	10 Business Days

"REQUIRED RESERVE" means, on any day during a Calculation Period, the product of (a) the greater of (i) the Required Reserve Factor Floor and (ii) the sum of the Loss Reserve, the Yield Reserve, the Dilution Reserve and the Servicing Reserve, times (b) the Net Pool Balance as of the Cut-Off Date immediately preceding such Calculation Period.

"REQUIRED RESERVE FACTOR FLOOR" means, for any Calculation Period, the sum (expressed as a percentage) of (a) 10% plus (b) the product of the Adjusted Dilution Ratio and the Dilution Horizon Ratio, in each case, as of the immediately preceding Cut-Off Date.

"RESTRICTED JUNIOR PAYMENT" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Seller, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Subordinated Loans (as defined in the Receivables Sale Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Seller now or hereafter outstanding, and (v) any payment of management fees by Seller (except for reasonable management fees to any Originator or its Affiliates in reimbursement of actual management services performed).

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"SECURED PARTIES" means the Indemnified Parties.

"SELLER" has the meaning set forth in the preamble to this Agreement.

"SELLER PARTIES" means, collectively, (a) Seller, and (b) at any time while Unifi is acting as the Servicer or the Performance Guarantor, Unifi.

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"SERVICER" means at any time the Person (which may be the Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

"SERVICING FEE" means, for each day in a Calculation Period:

(a) an amount equal to (i) the Servicing Fee Rate (or, at any time while Unifi or one of its Affiliates is the Servicer, such lesser percentage as may be agreed between Seller and the Servicer on an arms' length basis based on then prevailing market terms for similar services), TIMES (ii) the aggregate Outstanding Balance of all Receivables at the close of business on the Cut-Off Date immediately preceding such Calculation Period, TIMES (iii) 1/360; or

(b) on and after the Servicer's reasonable request made at any time when Unifi or one of its Affiliates is no longer acting as Servicer hereunder, an alternative amount specified by the successor Servicer not exceeding (i) 110% of such Servicer's reasonable costs and expenses of performing its obligations under this Agreement during the preceding Calculation Period, DIVIDED BY (ii) the number of days in the current Calculation Period.

"SERVICING FEE RATE" means 1.0% per annum.

"SERVICING RESERVE" means, for any Calculation Period, the product (expressed as a percentage) of (a) the Servicing Fee Rate, TIMES (b) a fraction, the numerator of which is the highest Days Sales Outstanding for the most recent 12 Calculation Periods and the denominator of which is 360.

"SETTLEMENT DATE" means (A) the 2nd Business Day after each Monthly Reporting Date, and (B) the last day of the relevant Tranche Period in respect of each Receivable Interests funded through a Liquidity Funding.

"SETTLEMENT PERIOD" means (A) in respect of each Receivable Interest funded through the issuance of Commercial Paper, the immediately preceding Calculation Period, and (B) in respect of each Receivable Interest funded through a Liquidity Funding, the entire Tranche Period of such Liquidity Funding.

"SUBSIDIARY" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"TAX CODE" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"TERMINATING TRANCHE" has the meaning set forth in Section 4.3(b).

"TRADE RECEIVABLE" means all indebtedness and other obligations owed to an Originator (at the times it arises, and before giving effect to any transfer or conveyance under the Receivables Sale Agreement) or Seller (after giving effect to the transfers under the Receivables Sale Agreement) or in which such Originator or Seller has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by such Originator and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto; PROVIDED, HOWEVER, the term "TRADE RECEIVABLE" shall not include any such indebtedness or obligations which have been factored by the applicable Originator. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; PROVIDED, FURTHER, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless or whether the account debtor or such Originator treats such indebtedness, rights or obligations as a separate payment obligation.

"TRANCHE PERIOD" means, with respect to any Receivable Interest funded through a Liquidity Funding:

(a) if Yield for such Receivable Interest is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such shorter period as may be mutually agreeable to the Agent and Seller, commencing on a Business Day selected by Seller or the Agent pursuant to this Agreement. Such Tranche Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, PROVIDED, HOWEVER, that if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; or

(b) if Yield for such Receivable Interest is calculated on the basis of the Alternate Base Rate, a period commencing on a Business Day selected by Seller and agreed to by the Agent, PROVIDED THAT no such period shall exceed one month.

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, PROVIDED, HOWEVER, that in the case of Tranche Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period which commences before the Facility Termination Date and would otherwise end on a date occurring after the Facility Termination Date, such Tranche Period shall end on the Facility Termination Date. The duration of each Tranche Period which commences after the Facility Termination Date shall be of such duration as selected by the Agent.

"TRANSACTION DOCUMENTS" means, collectively, this Agreement, each Purchase Notice, the Receivables Sale Agreement, the Performance Undertaking, each Collection Account Agreement, the Fee Letter, each Subordinated Note (as defined in the Receivables Sale

Agreement) and all other instruments, documents and agreements executed and delivered in connection herewith.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"UNIFI" has the meaning specified in the preamble to this Agreement.

"UNMATURED AMORTIZATION EVENT" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"WACHOVIA" means Wachovia Bank, N.A. in its individual capacity and its successors.

"YIELD" means for each Tranche Period relating to a Receivable Interest funded through a Liquidity Funding, an amount equal to the product of the applicable Yield Rate for such Receivable Interest multiplied by the Invested Amount of such Receivable Interest for each day elapsed during such Tranche Period, annualized on a 360 day basis.

"YIELD RATE" means, with respect to each Receivable Interest funded through a Liquidity Funding, the LIBO Rate, the Alternate Base Rate or the Default Rate, as applicable.

"YIELD RESERVE" means, for any Calculation Period, the product (expressed as a percentage) of (i) 1.5 times (ii) the Alternate Base Rate as of the immediately preceding Cut-Off Date times (iii) a fraction the numerator of which is the highest Days Sales Outstanding for the most recent 12 Calculation Periods and the denominator of which is 360.

ALL ACCOUNTING TERMS NOT SPECIFICALLY DEFINED HEREIN SHALL BE CONSTRUED IN ACCORDANCE WITH GAAP. ALL TERMS USED IN ARTICLE 9 OF THE UCC IN THE STATE OF NEW YORK, AND NOT SPECIFICALLY DEFINED HEREIN, ARE USED HEREIN AS DEFINED IN SUCH ARTICLE 9.

RECEIVABLES PURCHASE AGREEMENT

THIS RECEIVABLES PURCHASE AGREEMENT, dated as of December 19, 2000 is entered into by and among:

- (a) Unifi Receivables, LLC, a Nevada limited liability corporation ("SELLER"),
- (b) Unifi, Inc., a New York corporation ("UNIFI"), as initial Servicer,
- (c) Blue Ridge Asset Funding Corporation, a Delaware corporation ("BLUE RIDGE"), and
- (d) Wachovia Bank, N.A., as agent for Blue Ridge and its assigns under the Transaction Documents and under the Liquidity Agreement (together with its successors and assigns in such capacity, the "AGENT").

UNLESS DEFINED ELSEWHERE HEREIN, CAPITALIZED TERMS USED IN THIS AGREEMENT SHALL HAVE THE MEANINGS ASSIGNED TO SUCH TERMS IN EXHIBIT I.

PRELIMINARY STATEMENTS

Seller desires to transfer and assign Receivable Interests from time to time.

Blue Ridge shall purchase Receivable Interests from Seller from time to time either by issuing its Commercial Paper or by availing itself of a Liquidity Funding to the extent available.

Wachovia Bank, N.A. has been requested and is willing to act as Agent on behalf of Blue Ridge and its assigns in accordance with the terms hereof.

ARTICLE I.
PURCHASE ARRANGEMENTS

Section 1.1 Purchase Facility.

(a) Upon the terms and subject to the conditions of this Agreement (including, without limitation, Article VI), from time to time prior to the Facility Termination Date, Seller may request that Blue Ridge purchase from Seller undivided ownership interests in the Receivables and the associated Related Security and Collections, and Blue Ridge shall make such Purchase; PROVIDED THAT no Purchase shall be made by Blue Ridge if, after giving effect thereto, either (i) the Aggregate Invested Amount would exceed the Purchase Limit, or (ii) the aggregate of the Receivable Interests would exceed 100%. It is the intent of Blue Ridge to fund the Purchases by the issuance of Commercial Paper. If for any reason Blue Ridge is unable, or determines that it is undesirable, to issue Commercial Paper to fund or maintain its investment in

the Receivable Interests, or is unable for any reason to repay such Commercial Paper upon the maturity thereof, then Blue Ridge will avail itself of a Liquidity Funding to the extent available. If Blue Ridge funds or refinances its investment in a Receivable Interest through a Liquidity Funding, in lieu of paying CP Costs on the Invested Amount pursuant to Article III hereof, Seller will pay Yield thereon at the Alternate Base Rate or the LIBO Rate, selected in accordance with Article IV hereof. Nothing herein shall be deemed to constitute

a commitment of Blue Ridge to issue Commercial Paper.

(b) Seller may, upon at least ten (5) Business Days prior written notice to the Agent, terminate in whole or reduce in part, the unused portion of the Purchase Limit; PROVIDED THAT each partial reduction of the Purchase Limit shall be in an amount equal to \$10,000,000 (or a larger integral multiple of \$1,000,000 if in excess thereof).

Section 1.2 Incremental Purchases. Seller shall provide the Agent with at least two (2) Business Days' prior written notice in a form set forth as Exhibit II hereto of each Incremental Purchase (each, a "PURCHASE NOTICE"). Each Purchase Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested Purchase Price (which shall not be less than \$1,000,000 or a larger integral multiple of \$100,000) and the Purchase Date (which, in the case of any Incremental Purchase after the initial Purchase hereunder, shall only be on a Settlement Date). Following receipt of a Purchase Notice, the Agent will determine whether Blue Ridge will fund the requested Incremental Purchase through the issuance of Commercial Paper or through a Liquidity Funding. If Blue Ridge determines to fund an Incremental Purchase through a Liquidity Funding, Seller may cancel the Purchase Notice or, in the absence of such a cancellation, the Incremental Purchase will be funded through a Liquidity Funding. On each Purchase Date, upon satisfaction of the applicable conditions precedent set forth in Article VI, Blue Ridge shall deposit to the Facility Account, in immediately available funds, as soon as possible and in no event later than 2:00 p.m. (New York time), an amount equal to the requested Purchase Price.

Section 1.3 Decreases. Seller shall provide the Agent with prior written notice in conformity with the Required Notice Period (a "REDUCTION NOTICE") of any proposed reduction of Aggregate Invested Amount. Such Reduction Notice shall designate (i) the date (the "PROPOSED REDUCTION DATE") upon which any such reduction of Aggregate Invested Amount shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the amount of Aggregate Invested Amount to be reduced which shall be applied ratably to all Receivable Interests in accordance with the respective Invested Amounts thereof (the "AGGREGATE REDUCTION"). Only one (1) Reduction Notice shall be outstanding at any time.

Section 1.4 Deemed Collections; Purchase Limit.

(a) If on any day:

(i) the Outstanding Balance of any Receivable is reduced or cancelled as a result of any defective or rejected goods or services, any cash discount or any other adjustment by any Originator or any Affiliate thereof, or as a result of any governmental or regulatory action, or

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(ii) the Outstanding Balance of any Receivable is reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction), or

(iii) the Outstanding Balance of any Receivable is reduced on account of the obligation of any Originator or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(iv) the Outstanding Balance of any Receivable is less than the amount included in calculating the Net Pool Balance for purposes of any Monthly Report (for any reason other than receipt of Collections or such Receivable becoming a Defaulted Receivable), or

(v) any of the representations or warranties of Seller set forth in Section 5.1(i), (j), (r), (s), (t) or (u) were not true

when made with respect to any Receivable, or

(vi) any Obligor on a Factoring Company Receivable exercises any recourse to the applicable Originator,

then, on such day, Seller shall be deemed to have received a Collection of such Receivable (A) in the case of clauses (i)-(iv) above, in the amount of such reduction or cancellation or the difference between the actual Outstanding Balance and the amount included in calculating such Net Pool Balance, as applicable; (B) in the case of clause (v) above, in the amount of the Outstanding Balance of such Receivable; and (C) in the case of clause (vi) above, in the amount of the recourse exercised; and, in each of the foregoing cases, effective as of the next succeeding Settlement Date shall pay to the Agent's Account the amount of any such Collection deemed to have been received.

(b) Seller shall ensure that the Aggregate Invested Amount at no time exceeds the Purchase Limit. If at any time the Aggregate Invested Amount exceeds the Purchase Limit, Seller shall pay to the Agent not later than within 2 Business Days after discovering such excess an amount to be applied to reduce the Aggregate Invested Amount (as allocated by the Agent), such that after giving effect to such payment the Aggregate Invested Amount is less than or equal to the Purchase Limit.

(c) Seller shall also ensure that the Receivable Interests shall at no time exceed in the aggregate 100%. If the aggregate of the Receivable Interests exceeds 100%, Seller shall pay to the Agent within 2 Business Days after discovering such excess an amount to be applied to reduce the Aggregate Invested Amount (as allocated by the Agent), such that after giving effect to such payment the aggregate of the Receivable Interests equals or is less than 100%.

Section 1.5 Payment Requirements and Computations. All amounts to be paid or deposited by any Seller Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (New York time) on the day when due in immediately available funds, and if not received before 12:00 noon (New York

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time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to the Agent for the account of Blue Ridge, they shall be paid to the Agent's Account, for the account of Blue Ridge until otherwise notified by the Agent. Upon notice to Seller, the Agent may debit the Facility Account for all amounts due and payable hereunder. All computations of CP Costs, Yield, per annum fees calculated as part of any CP Costs, per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.6 Broken Funding Costs. Any Broken Funding Costs incurred due to a prepayment pursuant to Section 1.4(b) or (c) hereof shall be reasonably allocated by the Agent taking into account similar Broken Funding Costs incurred due to payments or prepayments made by any Person on the same day as the Seller herein by other facilities utilizing the same Pooled Commercial Paper utilized pursuant hereto.

ARTICLE II.

PAYMENTS AND COLLECTIONS

Section 2.1 Payments of Recourse Obligations. Seller hereby promises to pay the following (collectively, the "RECOURSE OBLIGATIONS"):

(a) all amounts due and owing under Section 1.3 or 1.4 on the dates specified therein;

(b) the fees set forth in the Fee Letter on the dates specified therein;

(c) all accrued and unpaid Yield on the Receivable Interests accruing Yield at the Alternate Base Rate or the Default Rate on each Settlement Date applicable thereto;

(d) all accrued and unpaid Yield on the Receivable Interests accruing Yield at the LIBO Rate on the last day of each Tranche Period applicable thereto;

(e) all accrued and unpaid CP Costs on the Receivable Interests funded with Commercial Paper on each Settlement Date; and

(f) all Broken Funding Costs and Indemnified Amounts upon demand.

Section 2.2 Collections Prior to the Facility Termination Date; Repayment of Certain Demand Advances.

(a) Prior to the Facility Termination Date, any Deemed Collections received by the Servicer and Blue Ridge's Portion of any Collections received by the Servicer shall be set aside and held in trust by the Servicer for the payment of any accrued and unpaid Aggregate Unpaid or for a Reinvestment as provided in this Section 2.2. If at any time any Collections are

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received by the Servicer prior to the Facility Termination Date, Seller hereby requests and Blue Ridge hereby agrees to make, simultaneously with such receipt, a reinvestment (each, a "REINVESTMENT") with Blue Ridge's Portion of the balance of each and every Collection received by the Servicer such that after giving effect to such Reinvestment, the Invested Amount of such Receivable Interest immediately after such receipt and corresponding Reinvestment shall be equal to the Invested Amount immediately prior to such receipt.

(b) On each Settlement Date prior to the Facility Termination Date, the Servicer shall remit to the Agent's Account the amounts set aside during the preceding Settlement Period that have not been subject to a Reinvestment and (after deduction of its Servicing Fee) apply such amounts (if not previously paid in accordance with Section 2.1) to the Aggregate Unpaid in the order specified:

FIRST, ratably to the payment of all accrued and unpaid CP Costs, Yield and Broken Funding Costs (if any) on the Invested Amount of the Receivable Interests to the extent that they are then due and owing,

SECOND, ratably to the payment of all accrued and unpaid fees under the Fee Letter (if any) that are then due and owing,

THIRD, if required under Section 1.3 or 1.4, to the ratable reduction of the Aggregate Invested Amount, and

FOURTH, for the ratable payment of all other unpaid Recourse Obligations, if any, that are then due and owing.

The balance, if any, shall be paid to Seller or otherwise in accordance with Seller's instructions.

(c) If the Collections are insufficient to pay the Servicing Fee and the Aggregate Unpaid specified above on any Settlement Date, Seller shall make demand upon Unifi for repayment of any outstanding Demand Advances in an aggregate amount equal to the lesser of (i) the amount of such shortfall in Collections, and (ii) the aggregate outstanding principal balance of the Demand Advances, together with all accrued and unpaid interest thereon,

and Unifi hereby agrees to pay such amount to the Agent's Account on such Settlement Date.

Section 2.3 Repayment of Demand Advances on the Facility
Termination Date; Collections

(a) On the Facility Termination Date, Unifi hereby agrees to repay the aggregate outstanding principal balance of all Demand Advances, together with all accrued and unpaid interest thereon, to the Agent's Account, without demand or notice of any kind, all of which are hereby expressly waived by Unifi.

(b) On the Facility Termination Date and on each day thereafter, the Servicer shall set aside and hold in trust, for the Secured Parties, all Collections received on each such day. On and after the Facility Termination Date, the Servicer shall, on each Settlement Date and

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on each other Business Day specified by the Agent (after deduction of any accrued and unpaid Servicing Fee as of such date): (i) remit to the Agent's Account the amounts set aside pursuant to the preceding sentence, and (ii) apply such amounts to reduce the Aggregate Unpays as follows:

FIRST, to the reimbursement of the Agent's costs of collection and enforcement of this Agreement,

SECOND, ratably to the payment of all accrued and unpaid CP Costs, Yield and Broken Funding Costs (if any) on the Invested Amount of the Receivable Interests to the extent that they are then due and payable,

THIRD, ratably to the payment of all accrued and unpaid fees under the Fee Letter,

FOURTH, to the ratable reduction of the Aggregate Invested Amount,

FIFTH, for the ratable payment of all other Aggregate Unpays, and

SIXTH, after the Final Payout Date, to Seller.

Section 2.4 Payment Rescission. No payment of any of the Aggregate Unpays shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Seller shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus interest thereon at the Default Rate from the date of any such rescission, return or refunding.

Section 2.5 Clean Up Call. In addition to Seller's rights pursuant to Section 1.3, Seller shall have the right (after providing written notice to the Agent in accordance with the Required Notice Period), at any time following the reduction of the Aggregate Invested Amount to a level that is less than 10.0% of the original Purchase Limit, to repurchase all, but not less than all, of the then outstanding Receivable Interests. The purchase price in respect thereof shall be an amount equal to the Aggregate Unpays through the date of such repurchase, payable in immediately available funds to the Agent's Account. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against Blue Ridge or the Agent other than a representation and warranty by the Agent that such Receivables and the Related Security are free and clear of any Lien created by or through the Agent.

ARTICLE III.

COMMERCIAL PAPER FUNDING

Section 3.1 CP Costs. Seller shall pay CP Costs with respect to the Invested Amount of all Receivable Interests funded through the issuance of Commercial Paper. Each Receivable

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Interest that is funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share that the Invested Amount in respect of such Receivable Interest represents in relation to all assets held by Blue Ridge and funded substantially with related Pooled Commercial Paper.

Section 3.2 Calculation of CP Costs. Not later than the 3rd Business Day immediately preceding each Monthly Reporting Date, Blue Ridge shall calculate the aggregate amount of CP Costs applicable to its Receivable Interests for the Calculation Period then most recently ended and shall notify Seller and Servicer of such aggregate amount.

Section 3.3 CP Costs Payments. On each Settlement Date, Seller shall, in accordance with the provisions of Article II hereof, pay to the Agent (for the benefit of Blue Ridge) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the Invested Amount of all Receivable Interests funded with Commercial Paper for the Calculation Period then most recently ended.

Section 3.4 Default Rate. From and after the occurrence of an Amortization Event, all Receivable Interests shall accrue Yield at the Default Rate.

ARTICLE IV.

LIQUIDITY FUNDINGS

Section 4.1 Liquidity Fundings. Prior to the occurrence of an Amortization Event, the outstanding Invested Amount of each Receivable Interest funded with a Liquidity Funding shall accrue Yield for each day during its Tranche Period at either the LIBO Rate or the Alternate Base Rate in accordance with the terms and conditions hereof. Until Seller gives the required notice to the Agent of another Yield Rate in accordance with Section 4.4, the initial Yield Rate for any Receivable Interest funded with a Liquidity Funding shall be the Alternate Base Rate (unless the Default Rate is then applicable). If any portion of an undivided interest in a Receivable Interest initially funded with Commercial Paper is sold to the Liquidity Banks pursuant to the Liquidity Agreement, such portion of such undivided interest in such Receivable Interest shall be deemed to have a Tranche Period commencing on the date of such sale.

Section 4.2 Yield Payments. On the Settlement Date for each Receivable Interest that is funded with a Liquidity Funding, Seller shall pay to the Agent (for the benefit of the Liquidity Banks) an aggregate amount equal to the accrued and unpaid Yield thereon for the entire Tranche Period of each such Liquidity Funding in accordance with Article II.

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Section 4.3 Selection and Continuation of Tranche Periods. (a) With consultation from (and approval by) the Agent, Seller shall from time to time request Tranche Periods for the Receivable Interests funded with Liquidity Fundings, PROVIDED THAT if at any time any Liquidity Funding is outstanding, Seller shall always request Tranche Periods such that at least one Tranche Period shall end on the date specified in clause (A) of the definition of Settlement Date.

(b) Seller or the Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of a Tranche Period (the "TERMINATING TRANCHE") for any Liquidity Funding, may, effective on the last day of the Terminating Tranche: (i) divide any such Liquidity Funding into multiple Liquidity Fundings, (ii) combine any such Liquidity Funding with one or more other Liquidity Fundings that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Liquidity Funding with a new Liquidity Funding to be made by the Liquidity Banks on the day such Terminating Tranche ends.

Section 4.4 Liquidity Funding Yield Rates. Seller may select the LIBO Rate (subject to Section 4.5 below) or the Alternate Base Rate for each Liquidity Funding. Seller shall by 12:00 noon (New York time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a Yield Rate with a new Tranche Period and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Alternate Base Rate is being requested as a Yield Rate with a new Tranche Period, give the Agent irrevocable notice of the new Yield Rate for the Liquidity Funding associated with such Terminating Tranche. Until Seller gives notice to the Agent of another Yield Rate, the initial Yield Rate for any Receivable Interest assigned or participated to the Liquidity Banks pursuant to the Liquidity Agreement shall be the Alternate Base Rate (unless the Default Rate is then applicable).

Section 4.5 Suspension of the LIBO Rate (a) If any Liquidity Bank notifies the Agent that it has determined that funding its ratable share of the Liquidity Fundings at a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Liquidity Funding at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Liquidity Funding at such LIBO Rate, then the Agent shall suspend the availability of such LIBO Rate and require Seller to select the Alternate Base Rate for any Liquidity Funding accruing Yield at such LIBO Rate.

(b) If less than all of the Liquidity Banks give a notice to the Agent pursuant to Section 4.5(a), each Liquidity Bank which gave such a notice shall be obliged, at the request of Seller, Blue Ridge or the Agent, to assign all of its rights and obligations hereunder to (i) another Liquidity Bank or (ii) another funding entity nominated by Seller or the Agent that is an Eligible Assignee willing to participate in the Liquidity Agreement through the Liquidity Termination Date in the place of such notifying Liquidity Bank; PROVIDED THAT (i) the notifying Liquidity Bank receives payment in full of all Aggregate Unpaid owing to it (whether due or

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accrued), and (ii) the replacement Liquidity Bank otherwise satisfies the requirements of the Liquidity Agreement.

Section 4.6 Default Rate. From and after the occurrence of an Amortization Event, all Liquidity Fundings shall accrue Yield at the Default Rate.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Seller Parties. Each Seller Party hereby represents and warrants to the Agent and Blue Ridge, as to itself, as of the date hereof and as of the date of each Incremental Purchase and the date of each Reinvestment that:

(a) Existence and Power. Such Seller Party's jurisdiction

of organization is correctly set forth in the preamble to this Agreement. Such Seller Party is duly organized under the laws of that jurisdiction and no other state or jurisdiction, and such jurisdiction must maintain a public record showing the organization to have been organized. Such Seller Party is validly existing and in good standing under the laws of its state of organization. Such Seller Party is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, in the case of Seller, Seller's use of the proceeds of Purchases made hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which such Seller Party is a party has been duly executed and delivered by such Seller Party.

(c) No Conflict. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Seller Party or its Subsidiaries (except as created hereunder) except, in any case, where such contravention or violation could not reasonably be expected to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

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(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Seller Party's knowledge, threatened, against or affecting such Seller Party, or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect. Such Seller Party is not in default with respect to any order of any court, arbitrator or governmental body which default would reasonably be expected to have a Material Adverse Effect.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Seller Party is a party constitute the legal, valid and binding obligations of such Seller Party enforceable against such Seller Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Seller Party or any of its Affiliates to the Agent or Blue Ridge for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is true and accurate in every material respect on the date such information is stated or

certified and does not, as of such date, contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

(h) Use of Proceeds. No proceeds of any Purchase hereunder will be used (i) for a purpose that violates, or would be inconsistent with, (A) Section 7.2(e) of this Agreement or (B) Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. Seller is the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents (and with respect to any Related Security in which the Seller's rights therein are a security interest, the rights of the owner of such Related Security). There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Seller's ownership interest (or security interest in the case of certain Related Security) in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement is effective to create a valid security interest in favor of the Agent for the benefit of the Secured Parties in the Purchased Assets to secure payment of the Aggregate Unpaid, free and clear of any Adverse Claim except as created by the

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Transactions Documents (and with respect to any Related Security in which the Seller's rights therein are a security interest, the rights of the owner of such Related Security). There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Secured Parties) security interest in the Purchased Assets.

(k) Places of Business and Locations of Records. The principal places of business and chief executive office of such Seller Party and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit III or such other locations of which the Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 13.3(a) has been taken and completed. Seller's Federal Employer Identification Number is correctly set forth on Exhibit III.

(l) Collections. The conditions and requirements set forth in Section 7.1(j) and Section 8.2 have at all times been satisfied and duly performed. The names, addresses and jurisdictions of organization of all Collection Banks, together with the account numbers of the Collection Accounts of Seller at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit IV. Seller has not granted any Person, other than the Agent as contemplated by this Agreement, dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event.

(m) Material Adverse Effect. (i) The initial Servicer represents and warrants that since June 25, 2000, no event has occurred that would have a material adverse effect on the financial condition or operations of the initial Servicer and its Subsidiaries or the ability of the initial Servicer to perform its obligations under this Agreement, and (ii) Seller represents and warrants that since the date of this Agreement, no event has occurred that would have a material adverse effect on (A) the financial condition or operations of Seller, (B) the ability of Seller to perform its obligations under the Transaction Documents, or (C) the collectibility of the Receivables generally or any material portion of the Receivables.

(n) Names. The name in which Seller has executed this

Agreement is identical to the name of Seller as indicated on the public record of its state of organization which shows Seller to have been organized. In the past five (5) years or since its creation, whichever period is shorter, Seller has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Seller. Unifi owns, directly or indirectly, 100% of the issued and outstanding capital stock of Seller, free and clear of any Adverse Claim. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Seller.

(p) Not a Holding Company or an Investment Company. Such Seller Party is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor

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statute. Such Seller Party is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Seller Party has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Seller Party has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract, and has not made any change to such Credit and Collection Policy, except such material change as to which the Agent has been notified in accordance with Section 7.1(a) (vii).

(s) Payments to Applicable Originator. With respect to each Receivable transferred to Seller under the Receivables Sale Agreement, Seller has given reasonably equivalent value to the applicable Originator in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by any Originator of any Receivable under the Receivables Sale Agreement is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C.ss.ss.101 et seq.), as amended.

(t) Enforceability of Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included in the Net Pool Balance as an Eligible Receivable on the date of any Monthly Report was an Eligible Receivable on such date.

(v) Purchase Limit and Maximum Receivable Interests. Immediately after giving effect to each Incremental Purchase hereunder, the Aggregate Invested Amount is less than or equal to the Purchase Limit and the aggregate of the Receivable Interests does not exceed 100%.

(w) Accounting. The manner in which such Seller Party accounts for the transactions contemplated by this Agreement and the Receivables Sale Agreement does not jeopardize the true sale analysis.

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(x) Plans. Such Seller Party does not have any Plans.

ARTICLE VI.

CONDITIONS OF PURCHASES

Section 6.1 Conditions Precedent to Initial Incremental Purchase. The initial Incremental Purchase of a Receivable Interest under this Agreement is subject to the conditions precedent that (a) the Agent shall have received on or before the date of such Purchase those documents listed on Schedule A, (b) Seller shall have been capitalized with the Initial Contribution Receivables and (c) the Agent shall have received all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Purchases and Reinvestments. Each Incremental Purchase and each Reinvestment shall be subject to the further conditions precedent that (a) in the case of each such Purchase: (i) the Servicer shall have delivered to the Agent on or prior to the date of such Purchase, in form and substance satisfactory to the Agent, all Monthly Reports as and when due under Section 8.5 and (ii) upon the Agent's request, the Servicer shall have delivered to the Agent at least three (3) days prior to such Purchase an interim Monthly Report showing the amount of Eligible Receivables; (b) the Agent shall have received such other approvals, opinions or documents as it may reasonably request and (c) on each Purchase Date, the following statements shall be true (and acceptance of the proceeds of such Incremental Purchase or Reinvestment shall be deemed a representation and warranty by Seller that such statements are then true):

(i) the representations and warranties made by it and set forth in Section 5.1 are true and correct on and as of the date of such Incremental Purchase or Reinvestment as though made on and as of such Purchase Date;

(ii) no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that would constitute an Unmatured Amortization Event; and

(iii) the Aggregate Invested Amount does not exceed the Purchase Limit and the aggregate Receivable Interests do not exceed 100%.

It is expressly understood that each Reinvestment shall, unless otherwise directed by the Agent or Blue Ridge, occur automatically on each day that the Servicer shall receive any Collections without the requirement that any further action be taken on the part of any Person and notwithstanding the failure of Seller to satisfy any of the foregoing conditions precedent in respect of such Reinvestment. The failure of Seller to satisfy any of the foregoing conditions precedent in respect of any Reinvestment shall give rise to a right of the Agent, which right may be exercised at any time on demand of the Agent, to rescind the related Purchase and direct Seller to pay to the Agent's Account, for the benefit of Blue Ridge, an amount equal to the

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Collections prior to the Facility Termination Date that shall have been applied to the affected Reinvestment.

ARTICLE VII.

COVENANTS

Section 7.1 Affirmative Covenants of the Seller Parties. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, as set forth below:

(a) Reporting. Unifi will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Agent:

(i) Annual Reporting. Within 90 days after the close of its respective fiscal years, audited, unqualified consolidated financial statements (which shall include balance sheets, statements of income and retained earnings and a statement of cash flows) for Unifi and its Subsidiaries for such fiscal year certified in a manner acceptable to the Agent by independent public accountants reasonably acceptable to the Agent.

(ii) Quarterly Reporting. Within 45 days after the close of the first three (3) quarterly periods of each of its fiscal year, consolidated balance sheets of Unifi and its Subsidiaries as at the close of each such period and consolidated statements of income and retained earnings and a consolidated statement of cash flows for Unifi and its Subsidiaries for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit V signed by Unifi's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. Promptly upon the furnishing thereof to the shareholders of such Seller Party copies of all financial statements, reports and proxy statements so furnished.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which any Seller Party or any of its Affiliates files with the Securities and Exchange Commission.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or Blue Ridge, copies of the same.

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(vii) Change in Credit and Collection Policy. At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting the Agent's consent thereto.

(viii) Fiscal Months. By no later than November 15 of each calendar year, an updated Schedule B setting forth the next 13 Fiscal Months.

(ix) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of such Seller Party as the Agent may from time to time reasonably request in order to protect the interests of the Agent, for the benefit of Blue Ridge, under or as contemplated by this Agreement.

(b) Notices. Such Seller Party will notify the Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Amortization Events or Unmatured Amortization Events. The occurrence of each Amortization Event and each Unmatured Amortization Event, by a statement of an Authorized Officer of such Seller Party.

(ii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iii) Termination Date. The occurrence of the "TERMINATION DATE" under and as defined in the Receivables Sale Agreement.

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any other financing arrangement pursuant to which such Seller Party is a debtor or an obligor PROVIDED, no notice shall be required with regard to defaults or events of defaults occurring pursuant to any financing arrangement that, when aggregated with all other defaulted financing arrangement, for which no notice was delivered, aggregates less than \$50,000,000.

(v) Notices under Receivables Sale Agreement. Copies of all notices delivered by any Originator or Seller under the Receivables Sale Agreement.

(vi) Downgrade of Servicer. Any downgrade in the rating of any Indebtedness of Servicer by S&P or Moody's, setting forth the Indebtedness affected and the nature of such change.

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(c) Compliance with Laws and Preservation of Corporate Existence. Such Seller Party will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Such Seller Party will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Such Seller Party will furnish to the Agent from time to time such information with respect to it and the Receivables as the Agent may reasonably request. Such Seller Party will, from time to time during regular business hours as requested by the Agent upon reasonable notice and at the sole cost of such Seller Party, permit the Agent, or its agents or representatives (and shall cause each Originator to permit the Agent or its agents or representatives): (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Purchased Assets, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters

relating to such Person's financial condition or the Purchased Assets or any Person's performance under any of the Transaction Documents or any Person's performance under the Contracts and, in each case, with any of the officers or employees of Seller or the Servicer having knowledge of such matters (each of the foregoing examinations and visits described in clause (i) and (ii) above , a "REVIEW"); PROVIDED, HOWEVER, that, so long as no Amortization Event has occurred and is continuing, (A) the Seller Parties shall only be responsible for the costs and expenses of one (1) Review in any one calendar year, and (B) the Agent will not request more than four (4) Reviews in any one calendar year.

(e) Keeping and Marking of Records and Books.

(i) The Servicer will (and will cause each Originator to) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Servicer will (and will cause each Originator to) give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Seller Party will (and will cause each Originator to): (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to the Agent, describing the Agent's security interest in the Purchased Assets and (B) upon the request of the Agent following

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the occurrence of an Amortization Event: (x) mark each Contract with a legend describing the Agent's security interest and (y) deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract constituting an instrument, a certificated security or chattel paper) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Seller Party will (and will cause each Originator to) timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Performance and Enforcement of Receivables Sale Agreement. Seller will, and will require each Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Sale Agreement, will purchase Receivables thereunder in strict compliance with the terms thereof and will vigorously enforce the rights and remedies accorded to Seller under the Receivables Sale Agreement. Seller will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent, as Seller's assignee) under the Receivables Sale Agreement as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement.

(h) Ownership. Seller will (or will cause each Originator to) take all necessary action to (i) vest legal and equitable title to the Purchased Assets purchased under the Receivables Sale Agreement irrevocably in Seller, free and clear of any Adverse Claims (other than Adverse Claims in favor of the Agent, for the benefit of the Secured Parties) including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate

jurisdictions to perfect Seller's interest in such Purchased Assets and such other action to perfect, protect or more fully evidence the interest of Seller therein as the Agent may reasonably request), and (ii) establish and maintain, in favor of the Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest in all Purchased Assets, free and clear of any Adverse Claims, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (for the benefit of the Secured Parties) security interest in the Purchased Assets and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Secured Parties as the Agent may reasonably request.

(i) Reliance. Seller acknowledges that the Agent and Blue Ridge are entering into the transactions contemplated by this Agreement in reliance upon Seller's identity as a legal entity that is separate from each Originator and Unifi. Therefore, from and after the date of execution and delivery of this Agreement, Seller shall take all reasonable steps, including, without limitation, all steps that the Agent or Blue Ridge may from time to time reasonably request, to maintain Seller's identity as a separate legal entity and to make it manifest to third parties that Seller is an entity with assets and liabilities distinct from those of each Originator, Unifi and any Affiliates thereof (other than Seller) and not just a division of any Originator, Unifi

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or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Seller will:

(A) conduct its own business in its own name and require that all full-time employees of Seller, if any, identify themselves as such and not as employees of any Originator or Unifi (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as Seller's employees);

(B) compensate all employees, consultants and agents directly, from Seller's own funds, for services provided to Seller by such employees, consultants and agents and, to the extent any employee, consultant or agent of Seller is also an employee, consultant or agent of any Originator, Unifi or any Affiliate thereof, allocate the compensation of such employee, consultant or agent between Seller and such Originator, Unifi or such Affiliate, as applicable, on a basis that reflects the services rendered to Seller and such Originator, Unifi or such Affiliate, as applicable;

(C) clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of any Originator or Unifi, Seller shall lease such office at a fair market rent;

(D) have a separate telephone number, which will be answered only in its name and separate stationery and checks in its own name;

(E) conduct all transactions with each Originator, Unifi and the Servicer (including, without limitation, any delegation of its obligations hereunder as Servicer) strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between Seller and such Originator or Unifi on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(F) at all times have a Board of Directors consisting of three members, at least one member of which is an Independent Director;

(G) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Director, (B) the dissolution or liquidation of Seller or (C) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving Seller, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

(H) maintain Seller's books and records separate from those of each Originator, Unifi and any Affiliate thereof and otherwise readily identifiable

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as its own assets rather than assets of any Originator, Unifi or any Affiliate thereof;

(I) prepare its financial statements separately from those of each Originator and Unifi and insure that any consolidated financial statements of any Originator, Unifi or any Affiliate thereof that include Seller and that are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that Seller is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of Seller;

(J) except as herein specifically otherwise provided, maintain the funds or other assets of Seller separate from, and not commingled with, those of any Originator, Unifi or any Affiliate thereof and only maintain bank accounts or other depository accounts to which Seller alone is the account party, into which Seller alone makes deposits and from which Seller alone (or the Agent hereunder) has the power to make withdrawals;

(K) pay all of Seller's operating expenses from Seller's own assets (except for certain payments by any Originator, Unifi or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.1(i));

(L) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement and the Receivables Sale Agreement; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (2) the incurrence of obligations under this Agreement, (3) the incurrence of obligations, as expressly contemplated in the Receivables Sale Agreement, to make payment to the applicable Originator thereunder for the purchase of Receivables from such Originator under the Receivables Sale Agreement, and (4) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;

(M) maintain its corporate charter in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its Certificate of Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 7.1(i) of this Agreement;

(N) maintain the effectiveness of, and continue to perform under the Receivables Sale Agreement and the Performance Undertaking, such

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that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Receivables Sale Agreement or the Performance Undertaking, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Receivables Sale Agreement or the Performance Undertaking or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Agent;

(O) maintain its corporate separateness such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary;

(P) maintain at all times the Required Capital Amount (as defined in the Receivables Sale Agreement) and refrain from making any dividend, distribution, redemption of capital stock or payment of any subordinated indebtedness which would cause the Required Capital Amount to cease to be so maintained; and

(Q) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Kilpatrick Stockton LLP, as counsel for Seller, in connection with the closing or initial Purchase under this Agreement and relating to substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

(j) Collections. Such Seller Party will cause (1) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (2) each Lock-Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect; provided, however, that such Seller Party will obtain a Collection Account Agreement with the Bank of Montreal within 30 days from the date hereof. In the event any payments relating to the Purchased Assets are remitted directly to Seller or any Affiliate of Seller, Seller will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof, and, at all times prior to such remittance, Seller will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Agent and Blue Ridge. Seller will maintain exclusive ownership, dominion and control (subject to the terms of this Agreement) of each Lock-Box and Collection Account and shall not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to the Agent as contemplated by this Agreement.

(k) Taxes. Such Seller Party will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Seller will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of the Agent or Blue Ridge.

(l) Payment to Applicable Originator. With respect to any Receivable purchased by Seller from any Originator, such sale shall be effected under, and in strict compliance with the terms of, the Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to such Originator in respect of the purchase price for such Receivable.

Section 7.2 Negative Covenants of the Seller Parties. Until the date on which the Aggregate Unpaid have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. Such Seller Party will not change its name, identity or structure (within the meaning of any applicable enactment of the UCC), relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of the Agent's security interest, for the benefit of the Secured Parties, in the Receivables, Related Security and Collections, or change any office where Records are kept unless it shall have: (i) given the Agent at least forty-five (45) days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. Except as may be required by the Agent pursuant to Section 8.2(b), such Seller Party will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless the Agent shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account or Lock-Box; PROVIDED, HOWEVER, that the Servicer may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) Modifications to Contracts and Credit and Collection Policy. Such Seller Party will not, and will not permit any Originator to, make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 8.2(d), the Servicer will not, and will not permit any Originator to, extend, amend or otherwise modify the terms of any Trade Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy. Such Seller Party will not, and will not permit any Originator to,

enter into any amendment to the Contracts governing any Factoring Receivable without prior notice to the Agent.

(d) Sales, Liens. Seller will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Purchased Assets, or assign any right to receive income with respect

thereto (other than, in each case, the creation of a security interest therein in favor of the Agent as provided for herein), and Seller will defend the right, title and interest of the Secured Parties in, to and under any of the foregoing property, against all claims of third parties claiming through or under Seller or any Originator. Seller will not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory.

(e) Use of Proceeds. Seller will not use the proceeds of the Purchases for any purpose other than (i) paying for Receivables and Related Security under and in accordance with the Receivables Sale Agreement, including without limitation, making payments on the Subordinated Notes to the extent permitted thereunder and under the Receivables Sale Agreement, (ii) making Demand Advances to Unifi at any time prior to the Facility Termination Date while it is acting as Servicer and no Amortization Event or Unmatured Amortization Event exists and is continuing, (iii) paying its ordinary and necessary operating expenses when and as due, and (iv) making Restricted Junior Payments to the extent permitted under this Agreement.

(f) Termination Date Determination. Seller will not designate the Termination Date (as defined in the Receivables Sale Agreement), or send any written notice to any Originator in respect thereof, without the prior written consent of the Agent, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(d) of the Receivables Sale Agreement.

(g) Restricted Junior Payments. Seller will not make any Restricted Junior Payment if after giving effect thereto, Seller's Net Worth (as defined in the Receivables Sale Agreement) would be less than the Required Capital Amount (as defined in the Receivables Sale Agreement).

(h) Seller Indebtedness. Seller will not incur or permit to exist any Indebtedness or liability on account of deposits except: (i) the Aggregate Unpaid, (ii) the Subordinated Loans, (iii) other current accounts payable arising in the ordinary course of business and not overdue, and (iv) other Indebtedness permitted by the Transaction Documents.

(i) Prohibition on Additional Negative Pledges. No Seller Party will enter into or assume any agreement (other than this Agreement and the other Transaction Documents) prohibiting the creation or assumption of any Adverse Claim upon the Purchased Assets except as contemplated by the Transaction Documents, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents, and no Seller Party will enter into or assume any agreement creating any Adverse Claim upon the Subordinated Notes.

ARTICLE VIII.

ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the "SERVICER") so designated from time to time in accordance with this Section 8.1. Unifi is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may at any time following the occurrence of an Amortization Event designate as Servicer any Person to succeed Unifi or any successor Servicer; PROVIDED THAT the Rating Agency Condition is satisfied.

(b) Unifi may delegate, and Unifi hereby advises the Agent and Blue Ridge that it has delegated, to the Originators, as sub-servicers of the Servicer, certain of its duties and responsibilities as Servicer hereunder in respect of the Receivables originated by such Originator. Without

the prior written consent of the Agent and the Required Liquidity Banks, Unifi shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than (i) Seller, (ii) the Originators, and (iii) with respect to certain Defaulted Receivables, outside collection agencies in accordance with its customary practices. Neither Seller nor any Originator shall be permitted to further delegate to any other Person any of the duties or responsibilities of the Servicer delegated to it by Unifi. If at any time the Agent shall designate as Servicer any Person other than Unifi, all duties and responsibilities theretofore delegated by Unifi to Seller or the Originators may, at the discretion of the Agent, be terminated forthwith on notice given by the Agent to Unifi and to Seller and the Originators.

(c) Notwithstanding the foregoing subsection (b): (i) Unifi shall be and remain primarily liable to the Agent and Blue Ridge for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Agent and Blue Ridge shall be entitled to deal exclusively with Unifi in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder. The Agent and Blue Ridge shall not be required to give notice, demand or other communication to any Person other than Unifi in order for communication to the Servicer and its sub-servicer or other delegate with respect thereto to be accomplished. Unifi, at all times that it is the Servicer, shall be responsible for providing any sub-servicer or other delegate of the Servicer with any notice given to the Servicer under this Agreement.

Section 8.2 Duties of Servicer.

(a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Servicer will instruct all Obligor to pay all Collections directly to a Lock-Box or Collection Account. The Servicer shall effect a Collection Account Agreement

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substantially in the form of Exhibit VI with each bank party to a Collection Account at any time. In the case of any remittances received in any Lock-Box or Collection Account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Servicer shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Agent delivers to any Collection Bank a Collection Notice pursuant to Section 8.3, the Agent may request that the Servicer, and the Servicer thereupon promptly shall instruct all Obligor with respect to the Receivables, to remit all payments thereon to a new depository account specified by the Agent and, at all times thereafter, Seller and the Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depository account any cash or payment item other than Collections.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article II. The Servicer shall set aside and hold in trust for the account of Seller and Blue Ridge their respective shares of the Collections in accordance with Article II. The Servicer shall, upon the request of the Agent, segregate, in a manner acceptable to the Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or Seller prior to the remittance thereof in accordance with Article II. If the Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Agent such allocable share of Collections of Receivables set aside for Blue Ridge on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer.

(d) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer determines to be appropriate to maximize Collections thereof; PROVIDED, HOWEVER, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agent or Blue Ridge under this Agreement. Notwithstanding anything to the contrary contained herein, the Agent shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

(e) The Servicer shall hold in trust for Seller and the Agent and Blue Ridge all Records that (i) evidence or relate to the Receivables, the related Contracts and Related Security or (ii) are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, as soon as practicable following receipt thereof turn over to Seller any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Servicer shall, from time to time at the request of the Agent or Blue Ridge, furnish to Blue Ridge (promptly after any such request) a calculation of the amounts set aside for Blue Ridge pursuant to Article II.

(f) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or Seller shall, except as otherwise specified by such Obligor or otherwise required by

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contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices. The Agent is authorized at any time after the occurrence of an Amortization Event to date and to deliver to the Collection Banks the Collection Notices. Seller hereby transfers to the Agent for the benefit of Blue Ridge, effective when the Agent delivers such notice, the exclusive ownership and control of each Lock-Box and the Collection Accounts. In case any authorized signatory of Seller whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. Seller hereby authorizes the Agent, and agrees that the Agent shall be entitled (i) at any time after delivery of the Collection Notices, to endorse Seller's name on checks and other instruments representing Collections, (ii) at any time after the occurrence of an Amortization Event, to enforce the Receivables, the related Contracts and the Related Security, and (iii) at any time after the occurrence of an Amortization Event, to take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than Seller.

Section 8.4 Responsibilities of Seller. Anything herein to the contrary notwithstanding, the exercise by the Agent, on behalf of Blue Ridge, of the Agent's rights hereunder shall not release the Servicer, any Originator or Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. The Agent and Blue Ridge shall have no obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of Seller or any Originator thereunder.

Section 8.5 Monthly Reports. The Servicer shall prepare and forward to the Agent (i) on each Monthly Reporting Date, a Monthly Report and an electronic file of the data contained therein and (ii) at such times as the Agent shall reasonably request, a listing by Obligor of all Receivables together with an aging of such Receivables.

Section 8.6 Servicing Fee. As compensation for the Servicer's servicing activities on their behalf, the Servicer shall be paid the Servicing Fee in arrears on each Settlement Date out of Collections.

ARTICLE IX.

AMORTIZATION EVENTS

Section 9.1 Amortization Events. The occurrence of any one or more of the following events shall constitute an Amortization Event:

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(a) Any Seller Party shall fail to make (i) any payment or deposit in respect of principal required to be made by it under the Transaction Documents when due, (ii) any payment or deposit required in respect of interest to be made by it under the Transaction Documents when due and such failure continues for 3 consecutive Business Days and (iii) any payment or deposit required in respect of anything other than principal or interest and such failure continues for 10 consecutive Business Days; PROVIDED, HOWEVER, that no Amortization Event shall occur under this Section 9.1(a) as a result of any late payment or deposit which is cured within one (1) Business Day if such late payment was due to circumstances beyond such Seller Party's control.

(b) Any representation, warranty, certification or statement made by any Seller Party in any Transaction Document to which it is a party or in any other document delivered pursuant thereto shall prove to have been incorrect in any material respect when made or deemed made; PROVIDED THAT the materiality threshold in the preceding clause shall not be applicable with respect to any representation or warranty which itself contains a materiality threshold; and, PROVIDED FURTHER, that any misrepresentation or certification for which the Agent has actually received a Deemed Collection shall not constitute an Amortization Event hereunder.

(c) Any Seller Party shall fail to perform or observe any covenant contained in (i) Section 7.2(d) through and including 7.2(i); (ii) Section 7.2(a) and 7.2(e) and such failure shall continue for 10 consecutive Business Days provided such failure can reasonably be cured or (iii) Section 8.5 when due and such failure to shall continue for 1 Business Day.

(d) Any Seller Party shall fail to perform or observe any other covenant or agreement under any Transaction Documents and such failure shall continue for thirty (30) consecutive days; PROVIDED, HOWEVER, that in the case of a failure to perform or observe any such covenant or agreement of the Servicer which the Servicer is unable to cure within such thirty (30) day period after diligent efforts, the Servicer shall be permitted an additional thirty (30) days to cure such nonperformance or nonobservance.

(e) Failure of Seller to pay any Indebtedness (other than the Aggregate Unpays) when due and such failure shall continue beyond any applicable grace period with respect thereto, if any, or the default by Seller in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of Seller shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(f) Failure of Unifi or any of its Subsidiaries other than Seller to pay Indebtedness in excess of \$10,000,000 in aggregate principal amount (hereinafter, "MATERIAL INDEBTEDNESS") when due and such failure shall continue beyond any applicable grace period with respect thereto, if any; or the default by Unifi or any of its Subsidiaries other than Seller in the performance of any term, provision or condition contained in any agreement under which any Material Indebtedness was created or is governed, the effect of which is to

cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become

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due prior to its stated maturity; or any Material Indebtedness of Unifi or any of its Subsidiaries other than Seller shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(g) An Event of Bankruptcy shall occur with respect to any Seller Party or any of their respective Subsidiaries.

(h) As at the end of any Calculation Period:

(i) the three-month rolling average Delinquency Ratio shall exceed 3.0%,

(ii) the three-month rolling average Default Trigger Ratio shall exceed 2.9%, or

(iii) the three-month rolling average Dilution Ratio shall exceed 4.0%.

(i) A Change of Control shall occur.

(j) (i) One or more final judgments for the payment of money in an aggregate amount of \$10,750 or more shall be entered against Seller or (ii) one or more final judgments for the payment of money in an amount in excess of \$10,000,000, individually or in the aggregate, shall be entered against Unifi or any of its Subsidiaries (other than Seller on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for sixty (60) consecutive days without a stay of execution.

(k) The "TERMINATION DATE" under and as defined in the Receivables Sale Agreement shall occur under the Receivables Sale Agreement or any Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to Seller under the Receivables Sale Agreement.

(l) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of Seller, or any Obligor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability, or the Agent for the benefit of Blue Ridge shall cease to have a valid and perfected first priority security interest in the Purchased Assets.

(m) On any Settlement Date, after giving effect to the turnover of Collections by the Servicer on such date and the application thereof to the Aggregate Unpays in accordance with this Agreement, the Aggregate Invested Amount shall exceed the Purchase Limit.

(n) The Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Tax Code with regard to any of the Purchased Assets and such lien shall not have

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been released within seven (7) days, or the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the Purchased Assets.

(o) Any event shall occur which (i) materially and adversely impairs the ability of the Originators to originate Receivables of a

credit quality that is at least equal to the credit quality of the Receivables sold or contributed to Seller on the date of this Agreement or (ii) has, or could be reasonably expected to have a Material Adverse Effect.

(p) The Performance Undertaking shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability of its obligations thereunder.

Section 9.2 Remedies. Upon the occurrence and during the continuation of an Amortization Event, the Agent may, or upon the direction of the Required Liquidity Banks shall, take any of the following actions: (i) replace the Person then acting as Servicer, (ii) declare the Facility Termination Date to have occurred, whereupon Reinvestments shall immediately terminate and the Facility Termination Date shall forthwith occur, all without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Seller Party; PROVIDED, HOWEVER, that upon the occurrence of an Event of Bankruptcy with respect to any Seller Party, the Facility Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Seller Party, (iii) deliver the Collection Notices to the Collection Banks, (iv) exercise all rights and remedies of a secured party upon default under the UCC and other applicable laws, and (v) notify Obligors of the Agent's security interest in the Receivables and other Purchased Assets. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and Blue Ridge otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE X.

INDEMNIFICATION

Section 10.1 Indemnities by the Seller Parties. Without limiting any other rights that the Agent or Blue Ridge may have hereunder or under applicable law, (A) Seller hereby agrees to indemnify (and pay upon demand to) the Agent, Blue Ridge, each of the Liquidity Banks and each of the respective assigns, officers, directors, agents and employees of the foregoing (each, an "INDEMNIFIED PARTY") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees actually incurred and disbursements (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by Blue Ridge or any of its Liquidity Banks of an interest in the Receivables, and (B) the Servicer hereby agrees to indemnify (and pay

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upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Servicer's activities as Servicer hereunder EXCLUDING, HOWEVER, in all of the foregoing instances under the preceding clauses (A) and (B):

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes on or measured by the overall net income of such Indemnified Party imposed by the jurisdiction in which such Indemnified Party's principal executive office is located and any jurisdiction in which such Indemnified Party (i) is doing business (except to the extent it is deemed to be doing business in such jurisdiction based on the Agreement or any other Transaction Document) and (ii) is paying such taxes, and, in any event, to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by Blue Ridge of Receivables as a loan or loans by Blue Ridge to Seller secured by the Receivables, the Related Security, the Collection Accounts and the Collections;

PROVIDED, HOWEVER, that nothing contained in this sentence shall limit the liability of any Seller Party or limit the recourse of Blue Ridge to any Seller Party for amounts otherwise specifically provided to be paid by such Seller Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Seller shall indemnify the Agent and Blue Ridge for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Seller or the Servicer) relating to or resulting from:

(i) any representation or warranty made by any Seller Party or any Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by Seller, the Servicer or any Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of any Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Seller, the Servicer or any Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Purchase, the Purchased Assets or any other investigation, litigation or proceeding relating

to Seller, the Servicer or any Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Amortization Event of the type described in Section 9.1(g);

(x) any failure of Seller to acquire and maintain legal and equitable title to, and ownership of any of the Purchased Assets from the applicable Originator, free and clear of any Adverse Claim (other than as created hereunder); or any failure of Seller to give reasonably equivalent value to any Originator under the Receivables Sale Agreement in consideration of the transfer by such Originator of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(xi) any failure to vest and maintain vested in the Agent for the benefit of Blue Ridge, or to transfer to the Agent for the benefit of the Secured Parties, a valid first priority perfected security interests in the Purchased Assets, free and clear of any Adverse Claim (except as created by the Transaction Documents);

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(xii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Purchased Assets, and the proceeds thereof, whether at the time of any Purchase or at any subsequent time;

(xiii) any action or omission by any Seller Party which reduces or impairs the rights of the Agent or Blue Ridge with respect to any Purchased Assets or the value of any Purchased Assets;

(xiv) any attempt by any Person to void any Purchase or the Agent's security interest in the Purchased Assets under statutory provisions or common law or equitable action; and

(xv) the failure of any Receivable included in the calculation of the Net Pool Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 10.2 Increased Cost and Reduced Return. If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency (a "REGULATORY CHANGE"): (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except

for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the Agent, Seller shall pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction.

Section 10.3 Other Costs and Expenses. Seller shall pay to the Agent and Blue Ridge on demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the

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other documents to be delivered hereunder, including without limitation, the cost of Blue Ridge's auditors auditing the books, records and procedures of Seller, reasonable fees and out-of-pocket expenses of legal counsel for Blue Ridge and the Agent actually incurred with respect thereto and with respect to advising Blue Ridge and the Agent as to their respective rights and remedies under this Agreement. Seller shall pay to the Agent on demand any and all costs and expenses of the Agent and Blue Ridge, if any, including reasonable counsel fees actually incurred and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event. Seller shall reimburse Blue Ridge on demand for all other costs and expenses incurred by Blue Ridge ("OTHER Costs"), including, without limitation, the cost of auditing Blue Ridge's books by certified public accountants, the cost of rating the Commercial Paper by independent financial rating agencies, and the reasonable fees and out-of-pocket expenses of counsel for Blue Ridge or any counsel for any shareholder of Blue Ridge with respect to advising Blue Ridge or such shareholder as to matters relating to Blue Ridge's operations.

Section 10.4 Allocations. Blue Ridge shall allocate the liability for Other Costs among Seller and other Persons with whom Blue Ridge has entered into agreements to purchase interests in or finance receivables and other financial assets ("OTHER CUSTOMERS"). If any Other Costs are attributable to Seller and not attributable to any Other Customer, Seller shall be solely liable for such Other Costs. However, if Other Costs are attributable to Other Customers and not attributable to Seller, such Other Customer shall be solely liable for such Other Costs. All allocations to be made pursuant to the foregoing provisions of this Article X shall be made by Blue Ridge in its sole discretion and shall be binding on Seller and the Servicer.

ARTICLE XI.

THE AGENT

Section 11.1 Authorization and Action. Blue Ridge, on behalf of itself and its assigns, hereby designates and appoints Wachovia to act as its agent under the Liquidity Agreement, this Agreement and under each other Transaction Document, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of the Liquidity Agreement, this Agreement and the other Transaction Documents together with such powers as are reasonably incidental thereto, including, without limitation, the power to perfect all security interests granted under the Transaction Documents. The provisions of Article 6 of the Liquidity Agreement are hereby incorporated by this reference with the same

force and effect as if fully set forth herein, and shall govern the relationship between the Agent, on the one hand, and Blue Ridge, on the other.

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ARTICLE XII.

ASSIGNMENTS AND PARTICIPATIONS

Section 12.1 Assignments and Participations by Blue Ridge. Each of the parties hereto, on behalf of its successors and assigns, hereby agrees and consents to the complete or partial sale by Blue Ridge of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Liquidity Banks pursuant to the Liquidity Agreement, regardless of whether such sale constitutes an assignment or the sale of a participation in such rights and obligations.

Section 12.2 Prohibition on Assignments by Seller Parties. No Seller Party may assign any of its rights or obligations under this Agreement without the prior written consent of the Agent and Blue Ridge and without satisfying the Rating Agency Condition.

ARTICLE XIII.

MISCELLANEOUS

Section 13.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent or Blue Ridge in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 13.1(b). Blue Ridge, Seller and the Agent, at the direction of the Required Liquidity Banks, may enter into written modifications or waivers of any provisions of this Agreement, PROVIDED, HOWEVER, that no such modification or waiver shall:

(i) without the consent of Blue Ridge and each affected Liquidity Bank, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by Seller or the Servicer, (B) reduce the rate or extend the time of payment of Yield or any CP Costs (or any component of Yield or CP Costs), (C) reduce any fee payable to the Agent for the benefit of Blue Ridge, (D) change the Invested Amount of any Receivable Interest, (E) amend, modify or waive any provision of the definition of Required Liquidity Banks or this Section 13.1(b), (F) consent to or permit the assignment or transfer by Seller of any of its rights and obligations under this Agreement, (G) change the definition of "ELIGIBLE RECEIVABLE," "LOSS RESERVE," "DILUTION RESERVE," "YIELD RESERVE," "SERVICING RESERVE," "SERVICING FEE RATE," "REQUIRED RESERVE" or "REQUIRED

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RESERVE FACTOR FLOOR" or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions

set forth in such clauses; or

(ii) without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent,

AND ANY MATERIAL AMENDMENT, WAIVER OR OTHER MODIFICATION OF THIS AGREEMENT SHALL REQUIRE SATISFACTION OF THE RATING AGENCY CONDITION.

Section 13.2 Notices. Except as provided in this Section 13.2, all communications and notices provided for hereunder shall be in writing (including bank wire, teletype or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or teletype numbers set forth on the signature pages hereof or at such other address or teletype number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by teletype, upon the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 13.2. Seller hereby authorizes the Agent to effect Purchases and Tranche Period and Yield Rate selections based on telephonic notices made by any Person whom the Agent in good faith believes to be acting on behalf of Seller. Seller agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of Seller; PROVIDED, HOWEVER, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 13.3 Protection of Agent's Security Interest. (a) Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Agent may reasonably request, to perfect, protect or more fully evidence the Agent's security interest in the Purchased Assets, or to enable the Agent or Blue Ridge to exercise and enforce their rights and remedies hereunder. At any time after the occurrence of an Amortization Event, the Agent may, or the Agent may direct Seller or the Servicer to, notify the Obligors of Receivables, at Seller's expense, of the ownership or security interests of Blue Ridge under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. Seller or the Servicer (as applicable) shall, at the Agent's request, withhold the identities of the Agent and Blue Ridge in any such notification.

(b) If any Seller Party fails to perform any of its obligations hereunder, the Agent or Blue Ridge may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or Blue Ridge's costs and expenses incurred in connection therewith shall be payable by Seller as provided in Section 10.3. Each Seller Party irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the

Agent as its attorney-in-fact, to act on behalf of such Seller Party (i) to execute on behalf of Seller as debtor and to file financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of Blue Ridge in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the Purchased Assets, for the benefit of the Secured Parties. This appointment is coupled with an interest and is irrevocable. From and after July 1, 2001: (A) each of the Seller Parties hereby authorizes the Agent to file financing statements and other filing or recording documents with respect to the

Receivables and Related Security (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of such Seller Party, in such form and in such offices as the Agent reasonably determines appropriate to perfect or maintain the perfection of the security interest of the Agent hereunder, (B) each of the Seller Parties acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Receivables or Related Security (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Agent, consenting to the form and substance of such filing or recording document, and (C) each of the Seller Parties approves, authorizes and ratifies any filings or recordings made by or on behalf of the Agent in connection with the perfection of the security interests in favor of Seller or the Agent, PROVIDED, however, that Seller or Agent shall promptly notify each Seller Party of, and provide a copy to each Seller Party of, any such filing.

Section 13.4 Confidentiality.

(a) Each of the Seller Parties shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to the Agent and Blue Ridge and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Seller Party and its officers and employees may disclose such information to such Seller Party's external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding.

(b) Anything herein to the contrary notwithstanding, each Seller Party hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Liquidity Banks or Blue Ridge by each other, (ii) by the Agent or Blue Ridge to any prospective or actual assignee or participant of any of them and (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Blue Ridge or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Wachovia acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, PROVIDED THAT each such Person is informed of the confidential nature of such information and agrees to maintain such information as confidential in accordance with the provisions of this Agreement. In addition, Blue Ridge and the Agent may disclose any such nonpublic information pursuant to

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any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 13.5 Bankruptcy Petition. Seller, the Servicer, the Agent and each Liquidity Bank hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 13.6 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Blue Ridge, the Agent or any Liquidity Bank, no claim may be made by any Seller Party or any other Person against Blue Ridge, the Agent or any Liquidity Bank or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Seller Party hereby waives,

releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 13.7 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK without regard to the principles of conflicts of laws thereof OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW (except in the case of the other Transaction Documents, to the extent otherwise expressly stated therein) AND EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE OWNERSHIP INTEREST OF SELLER OR THE SECURITY INTEREST OF THE AGENT, FOR THE BENEFIT OF THE SECURED PARTIES, IN ANY OF THE COLLATERAL IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 13.8 CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST ANY SELLER PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY SELLER PARTY AGAINST

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THE AGENT OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT OR ANY PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH SELLER PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 13.9 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TO THE MAXIMUM EXTENT PERMITTED BY LAW TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY SELLER PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 13.10 Integration; Binding Effect; Survival of Terms.(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; PROVIDED, HOWEVER, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Seller Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 13.4 and 13.5 shall be continuing and shall survive any termination of this Agreement.

(c) Each of the Seller Parties, Blue Ridge and the Agent hereby acknowledges and agrees that the Liquidity Banks are hereby made express third party beneficiaries of this Agreement and each of the other Transaction Documents.

Section 13.11 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and

the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "ARTICLE," "SECTION," "SCHEDULE" or "EXHIBIT" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

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Section 13.12 Characterization.

(a) It is the intention of the parties hereto that each Purchase hereunder shall constitute and be treated as an absolute and irrevocable sale, which Purchase shall provide the Blue Ridge with the full benefits of ownership of the applicable Receivable Interest. Except as specifically provided in this Agreement, each sale of a Receivable Interest hereunder is made without recourse to Seller; PROVIDED, HOWEVER, that (i) Seller shall be liable to Blue Ridge and the Agent for all representations, warranties, covenants and indemnities made by Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by Blue Ridge or the Agent or any assignee thereof of any obligation of Seller or any Originator or any other person arising in connection with the Receivables, the Related Security, or the related Contracts, or any other obligations of Seller or any Originator.

(b) In addition to any ownership interest which the Agent or Blue Ridge may from time to time acquire pursuant hereto, Seller hereby grants to the Agent for the ratable benefit of Blue Ridge a valid and perfected security interest in all of Seller's right, title and interest in, to and under all Receivables now existing or hereafter arising, the Collections, each Lock-Box, each Collection Account, all Related Security, all other rights and payments relating to such Receivables, and all proceeds of any thereof prior to all other liens on and security interests therein to secure the prompt and complete payment of the Aggregate Unpays. The Agent, on behalf of Blue Ridge, shall have, in addition to the rights and remedies that it may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers or attorneys-in-fact as of the date hereof.

UNIFI RECEIVABLES, LLC

By: Charles F. McCoy

Name: Charles F. McCoy
Title: V.P. & Secretary

Address: 7201 West Friendly Avenue
Greensboro, North Carolina 27410

UNIFI, INC.

By: Charles F. McCoy

Name: Charles F. McCoy

Title: V.P., Secretary & General Counsel

Address: 7201 West Friendly Avenue
Greensboro, North Carolina 27410

[Unifi RPA Signature Page]

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BLUE RIDGE ASSET FUNDING CORPORATION

BY: WACHOVIA BANK, N.A., ITS ATTORNEY-IN-FACT

By: David Goodson

Name: David Goodson

Title: Assistant Vice President

Address: -----

WACHOVIA BANK, N.A., as a Liquidity Bank and as Agent

By: Kevin T. McConnell

Name: Kevin T. McConnell

Title: Senior Vice President

Address: -----

[Blue Ridge/Wachovia RPA Signature Page]

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT ("Agreement") between UNIFI, INC., a New York Company (the "Company"), and G. ALFRED WEBSTER ("Executive") effective the 26TH day of October, 2000.

WITNESSETH:

WHEREAS, The Executive is an Executive Vice President and a member of the Board of Directors of the Company and is considered as an integral part of the Company's Management; and

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

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

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

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

SECTION 1. TERM: This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the earliest of (i) November 1, 2005 if a Change in Control of the Company has not occurred within such period; (ii) the termination of the Executive's employment with the Company based on Death, Disability (as defined in Section 3(b), Retirement (as defined in Section 3(c)), Cause (as defined in Section 3(d)) or by the Executive other than for Good Reason (as defined in Section 3(e)); and (iii) two years from the date of a

Change in Control of the Company if the Executive has not voluntarily terminated his employment for Good Reason as of such time.

SECTION 2. CHANGE IN CONTROL: No compensation shall be payable under this Agreement unless and until (a) there shall have been a Change in Control of the Company, while the Executive is still an employee of the Company and (b) the Executive's employment by the Company thereafter shall have been terminated in accordance with Section 3. For purposes of this Agreement, a Change in Control of the Company shall be deemed to have occurred if: (i) there shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving legal entity ("company") or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the

Company's Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock of the surviving company immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (ii) the shareholders of the Company approved any plan or proposal for the liquidation or dissolution of the Company; or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Company's outstanding Common Stock; or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.

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

(b) Disability: If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall

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

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

(d) Cause: The Company may terminate the Executive's employment for Cause. For purposes of this Agreement only, the Company shall have "Cause" to terminate the Executive's employment hereunder only on the basis of fraud, misappropriation or embezzlement on the part of the Executive or malfeasance or misfeasance by said Executive in performing the duties of his office, as determined by the Board of Directors. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been a meeting of the Company's Board of Directors (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), and the delivery to the Executive of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of said Board of Directors stating that in the good faith opinion of the Board the Executive was guilty of conduct set forth in the second sentence of this Section 3(d) and specifying the particulars thereof in detail.

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

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

(ii) a reduction by the Company in the

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

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

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

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

(vi) a relocation of the Company's principal executive offices to a location outside of North Carolina, or the Executive's relocation to any place

other than the location at which the Executive performed the Executive's duties prior to a Change in Control of the Company, except for required travel by the Executive on the Company's business to an extent substantially consistent with the Executive's business travel obligations at the time of a Change in Control of the Company;

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

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

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

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

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

(g) Date of Termination: "Date of Termination" shall mean (a) if Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30 day period) or (b) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given to the Executive by the Company the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual agreement by the parties or upon final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom

having expired and no appeal having been perfected) or (c) the date the Executive notifies the Company in writing that he is terminating his employment and setting forth the Good Reason (as defined in Section 3(e)).

SECTION 4. SEVERANCE COMPENSATION UPON TERMINATION OF EMPLOYMENT. If the Company shall terminate the Executive's employment other than pursuant to Section 3(b), 3(c) or 3(d) or if the Executive shall voluntarily terminate his employment for Good Reason, then the Company shall pay to the Executive as

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

SECTION 5. NO OBLIGATION TO MITIGATE DAMAGES; NO EFFECT ON OTHER CONTRACTUAL RIGHTS: (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

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

(c) The Company shall, upon the termination of the Executive's employment other than by Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)) or Cause (as defined in Section 3(d)), or the termination of the Executive's employment by the Executive without Good Reason, maintain in full force and effect, for the Executive's continued benefit until the earlier of

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(a) two years after the Date of Termination or (b) Executive's commencement of full time employment with a new employer, all life insurance, medical, health and accident, and disability plans, programs or arrangements in which he was entitled to participate immediately prior to the Date of Termination, provided that his continued participation is possible under the general terms and provisions of such plans and programs. In the event the Executive is ineligible under the terms of such plans or programs to continue to be so covered, the Company shall provide substantially equivalent coverage through other sources.

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

SECTION 6. SUCCESSOR TO THE COMPANY: (a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all

the terms and provisions of this Agreement by operation of law. If at any time during the term of this Agreement the Executive is employed by any corporation a majority of the voting securities of which is then owned by the Company, "Company" as used in Sections 3, 4 and 10 hereof shall in addition include such employer. In such event, the Company agrees that it shall pay or shall cause such employer to pay any amounts owed to the Executive pursuant to Section 4 hereof.

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

SECTION 7. NOTICE: For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be

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in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company:

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

ATTENTION: Mr. Charles F. McCoy
General Counsel

If to the Executive:

Mr. G. Alfred Webster
1026 Rockford Road
High Point, NC 27262

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

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

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

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

SECTION 9. LEGAL FEES AND EXPENSES: The Company shall pay all legal fees and expenses which the Executive may incur as a result of the Company's contesting the validity, enforceability or the executive's interpretation of, or

determinations under, this Agreement.

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

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

UNIFI, INC.

BY: Donald F. Orr (SEAL)

Donald F. Orr
Compensation Committee

EXECUTIVE

G. Alfred Webster (SEAL)

G. Alfred Webster

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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 ("UES")	Greensboro, NC	North Carolina	95% 5% - UMI
Unifi Technical Fabrics, LLC	Mocksville, NC	North Carolina	100%
Unifi Technology Group, Inc.	Charlotte, NC	North Carolina	98.09% USD 1.91% 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.]		
GlenTouch Yarn	Altamahaw, NC	North Carolina	100% - UMI

Co., LLC

Unifi Receivables,
LLC

Las Vegas, NV

Nevada

80% - USD
20% - UES

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 19, 2001, 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 24, 2001.

/s/ Ernst & Young LLP

Greensboro, North Carolina
September 19, 2001