

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 8-K**

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

Date of Report (Date of earliest event reported):  
October 4, 2007

**UNIFI, INC.**  
(Exact name of registrant as specified in its charter)

<b>New York</b> (State of Incorporation)	<b>1-10542</b> (Commission File Number)	<b>11-2165495</b> (IRS Employer Identification No.)
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**7201 West Friendly Avenue**  
**Greensboro, North Carolina 27410**  
(Address of principal executive offices, including zip code)

**(336) 294-4410**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.**

Unifi, Inc. (the "Registrant") and William M. Lowe, Jr. ("Mr. Lowe"), the Vice President, Chief Operating Officer and Chief Financial Officer of the Registrant, entered into a Severance Agreement (the "Severance Agreement") which provides for the termination of Mr. Lowe's employment with the Registrant. Pursuant to the Severance Agreement Mr. Lowe's last day of employment was October 1, 2007 (the "Separation Date"). The Severance Agreement is retroactively effective to the Separation Date. Under the terms of the Severance Agreement, (i) Mr. Lowe will receive aggregate severance equal to \$1,650,000, subject to applicable withholding and deductions, in seventy-eight (78) equal bi-weekly installments, (ii) Mr. Lowe will continue to receive medical and dental coverage from the Registrant through the earlier of his coverage by a new employer or September 30, 2010, provided that Mr. Lowe shall continue to pay the premiums applicable to other employees of the Registrant for such coverage, and (iii) Mr. Lowe's unvested restricted stock and unvested options shall be fully vested on the Separation Date. In exchange for the consideration provided by the Severance Agreement, Mr. Lowe has also agreed to, among other things, (i) refrain from engaging in certain competitive activity for a period of three (3) years following the Separation Date, (ii) keep confidential the Registrant's confidential information, (iii) fully release the Registrant, and its subsidiaries and affiliate companies from all claims, and (iv) provide continued cooperation and assistance to the Registrant following the Separation Date.

The foregoing description of the Severance Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Severance Agreement, a copy of which is filed as Exhibit 10.1 hereto and is incorporated herein by

reference.

## **ITEM 1.02 TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT.**

In connection with the execution of the Severance Agreement, Mr. Lowe and the Registrant terminated the Employment Agreement dated July 25, 2006, between the Registrant and Mr. Lowe, which was previously filed by the Registrant as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated July 25, 2006, and the Change of Control Agreement dated November 1, 2005, between the Registrant and Mr. Lowe, which was previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated November 1, 2005. A description of the Employment Agreement and the Change of Control Agreement is included in the Registrant's Definitive Proxy Statement on Schedule 14A filed on October 1, 2007 under the heading "Compensation Discussion and Analysis - Perquisites and Other Benefits - Employment and Termination Agreements" and is incorporated herein by reference.

## **ITEM 5.02. DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.**

As described above in Item 1.01, the Registrant and Mr. Lowe, the Vice President, Chief Operating Officer and Chief Financial Officer of the Registrant, entered into the Severance Agreement pursuant to which his employment with the Registrant was terminated. Effective October 4, 2007, the Board of Directors of the Registrant elected Ronald L. Smith ("Mr. Smith") as the Registrant's Chief Financial Officer.

Mr. Smith, joined the Registrant in November 1994 and has held positions as controller, chief accounting officer and director of business development and corporate strategy. Mr. Smith most recently held the position Vice President of Finance and Treasurer, and had additional responsibility for investor relations. Prior to joining the Registrant, Mr. Smith was with the accounting firm of Ernst and Young. Mr. Smith is a CPA and received his bachelor's degree in business administration, with a major in accounting, from Wake Forest University. For the fiscal year ended June 24, 2007, Mr. Smith received a total compensation of \$298,683 from the Registrant, which was comprised of salary, bonus, the amount expensed by the Registrant for any options awarded, and the cash value of other perquisites.

On October 4, 2007, the Registrant issued a press release announcing, among other things, the election of Mr. Smith as the Registrant's Chief Financial Officer. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

## **ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.1	Severance Agreement, executed on October 4, 2007, by and between the Registrant and William M. Lowe, Jr.
99.1	Press Release disseminated on October 4, 2007 by the Registrant

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## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**UNIFI, INC.**

By: /s/ CHARLES F. MCCOY  
Charles F. McCoy  
Vice President, Secretary and General Counsel

Dated: October 8, 2007

EXHIBIT NO.

DESCRIPTION OF EXHIBIT

10.1 Severance Agreement, executed on October 4, 2007, by and between the Registrant and William M. Lowe, Jr.

99.1 Press Release disseminated on October 4, 2007 by the Registrant

## SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT ("Agreement") effective the 1<sup>st</sup> day of October, 2007 (the "Effective Date"), by and between UNIFI, INC., a New York corporation (hereinafter referred to as "UNIFI" or the "Company"), and WILLIAM M. LOWE, JR. (hereinafter referred to as "EMPLOYEE");

### W I T N E S S E T H:

**WHEREAS**, EMPLOYEE has been employed by UNIFI or one of its subsidiary or affiliated companies; and

**WHEREAS**, the Company and EMPLOYEE have determined that the EMPLOYEE'S employment with the Company will be terminated on the Effective Date under the terms of this Agreement; and

**WHEREAS**, under the terms set forth in this Agreement, EMPLOYEE and UNIFI agree to settle any and all claims, obligations and/or causes of action that one may have against the other arising from EMPLOYEE'S employment with the Company, specially including any obligations of the Company under the terms of EMPLOYEE'S Employment Agreement dated July 25, 2006 (the "Employment Agreement") and Change of Control Agreement dated November 1, 2005 (the "Change of Control Agreement"); and

**WHEREAS**, EMPLOYEE HEREBY ACKNOWLEDGES THAT HE WAS UNDER NO OBLIGATION WHATSOEVER TO ACCEPT THE TERMS OF THIS AGREEMENT, AND THAT PRIOR TO EXECUTING THIS AGREEMENT HE WAS GIVEN THE OPPORTUNITY TO REQUEST A COPY OF THIS AGREEMENT AND DELAY HIS DECISION WHETHER OR NOT TO ACCEPT THE TERMS OF THIS AGREEMENT FOR UP TO TWENTY-ONE (21) DAYS FOR ANY REASON, INCLUDING TO CONFER WITH ANY LAWYER OR OTHER ADVISOR HE MAY WISH TO CONSULT.

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

**Section 1. Consideration** - UNIFI agrees to pay EMPLOYEE the sum of One Million Six Hundred Fifty Thousand 00/100 Dollars (\$1,650,000.00) as severance due to termination of his employment with Unifi (the "Severance Payment"). The Severance Payment shall be paid to EMPLOYEE in seventy-eight (78) equal bi-weekly installments (the "Bi-Weekly Payments") beginning on the first regular payroll date for salaried employees of UNIFI after expiration of the EMPLOYEE'S "Right to Revoke" the Agreement set forth in Section 20. Each such Bi-Weekly Payment will be subject to all applicable federal and state taxes. The Parties agree that the Company has no prior legal obligation to make the

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Severance Payment or to provide any of the other benefits set forth in this Agreement to the EMPLOYEE.

**Section 2. Life and Medical and Dental Insurance** - UNIFI will continue to provide EMPLOYEE group life insurance and medical and dental coverage similar to the life insurance and medical and dental coverage at that time being provided to regular employees of the Company, until such time as EMPLOYEE has began new employment, including gainful self-employment (as determined by Unifi in its sole discretion), or until September 30, 2010, whichever comes first. EMPLOYEE shall be eligible to receive such medical and dental benefits in order that he may obtain coverage for himself and his dependents, as the term "dependent" is defined under the terms of the Unifi, Inc. Employee Welfare Benefit Plan then in effect (the "Medical Plan").

(A) As a condition of coverage of EMPLOYEE, he must pay for each month of coverage an amount equal to the premium paid for such month by an active employee for coverage under the terms of the Unifi, Inc. Employee Welfare Benefit Plan then in effect. Such premiums shall be paid by deductions from such Bi-Weekly Payments unless UNIFI in its sole discretion determines otherwise. The premiums shall be due on the first day of the month to which they apply, and the life insurance and medical and dental coverage shall be terminated unless such premiums are received when due, without any grace period.

(B) As a condition of coverage of a Dependent, EMPLOYEE must pay for each month of coverage an amount equal to the premium paid for such month by any active employee for coverage of a Dependent under the Medical Plan. Such premiums shall be paid by deductions from such Bi-Weekly Payments unless UNIFI in its sole discretion determines otherwise. The premiums shall be due on the first day of the month to which they apply, and the medical and dental coverage shall be terminated unless such premiums are received when due, without any grace period.

(C) The terms of the group life insurance and medical and dental coverage for EMPLOYEE and his Dependents at any given time shall be the terms applicable to active employees and their Dependents at such time. It is explicitly understood and agreed that any amendments to or alteration of the Medical Plan (including any

amendment terminating the Medical Plan) may be applicable to EMPLOYEE and his Dependents without regard to whether the amendment or alteration was adopted or made before or after the Effective Date, and/or the date EMPLOYEE entered into this Agreement and/or chose not to revoke this Agreement. It is explicitly understood and agreed that a Dependent will lose medical and dental coverage on the earlier of September 30, 2010, or such time as EMPLOYEE has began new employment, including gainful self-employment (as determined by Unifi in its sole discretion). It is explicitly understood and agreed that no benefits under the Employee Welfare Plan will be provided (including, without limitation, benefits under the portions of the Welfare Benefit Plan that provide benefits in the

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event of disability, life insurance coverage, and accidental death and dismemberment coverage) except as specifically provided herein.

**Section 3. COBRA, etc.** - It is understood that this Agreement does not waive or abrogate EMPLOYEE'S entitlement to health insurance benefits under COBRA or to vested retirement funds in UNIFI'S retirement plans. Any retirement benefits to which EMPLOYEE is entitled shall be governed by the terms of such retirement plans.

**Section 4. Other Benefits and Agreements -**

A. EMPLOYEE is entitled to receive the benefits in his "Account" under the terms of the Unifi, Inc. Supplemental Key Employee Retirement Plan, effective July 26, 2006 (the "Plan"), as is specifically set forth in the Plan. This Agreement in no way affects the benefits or obligations of the Parties under the Plan.

B. EMPLOYEE agrees that except as specifically set forth in this Agreement no other provision is granted for continued vacation pay, automobile allowance, education renewal, tuition reimbursement, mobile telephone service or other benefits of any nature, type or kind after the Effective Date, and that he will return to UNIFI or any subsidiary or affiliate of UNIFI all Company property, documents, notes, software, programs, data and any other materials (including any copies thereof) in his possession. EMPLOYEE does hereby consent and agree that he shall have no other right, claim, demand or interest of any nature, type or kind (specifically including any and all rights or benefits under the terms of his Employment Agreement and Change of Control Agreement) or commence any type of legal action (including administrative charges or lawsuits) against UNIFI, its subsidiaries or affiliates, and any of their officers, directors, shareholders, representatives, counsel, or agents.

C. On January 6, 2004, EMPLOYEE was granted 20,000 shares of Unifi, Inc. common stock (the "Restricted Shares") under the 1999 Unifi, Inc. Long-Term Incentive Plan and executed a Restricted Stock Agreement in connection therewith (the "Restricted Agreement", the terms of which are incorporated herein by reference). Under the terms of the Restricted Agreement, 16,000 of the Restricted Shares have previously vested and 4,000 shares are presently unvested. The terms of the Restricted Agreement are hereby modified to provide that the 4,000 shares of unvested Restricted Shares granted under the terms of the Restricted Agreement shall be fully vested as of the Effective Date. All other terms and conditions of the Restricted Agreements shall remain in full force and effect as written.

D. All stock options previously granted to EMPLOYEE under the Plan shall be immediately vested and shall be exercisable through the end of their respective full original terms. All other terms and conditions of such stock options shall remain in full force and effect as set forth in the various stock option agreements

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between the Company and the EMPLOYEE, the terms of which are incorporated herein by reference.

**Section 5. Taxes** - EMPLOYEE will be responsible for any federal, state or local taxes which may be owed by him by virtue of the receipt of any portion of the consideration herein provided.

**Section 6. Cooperation** - EMPLOYEE agrees to fully cooperate with and assist UNIFI in transitioning his work assignments to others in the Company and understands that he may be needed by the Company as a witness in certain arbitration and/or litigation matters that the Company is or may in the future be involved in that involve matters of which he participated in while in the employment of the Company, including but not limited to arbitration(s)/litigation(s) proceedings and the EMPLOYEE agrees that he will provide reasonable assistance to the Company in such arbitrations/litigations and testify for the Company as reasonably requested by the Company. The Company agrees to reimburse EMPLOYEE for his reasonable out of pocket costs and expenses (including travel

expenses, and lost wages or other compensation) incurred for his cooperation as set forth in this provision of the Agreement.

**Section 7. Disclosure of Confidential Information -** EMPLOYEE agrees that:

A. For a period of five (5) years from the date of this Agreement, he will not disclose or make available to any person or other entity any trade secrets, confidential information, as hereinafter defined, or "know-how" relating to UNIFI'S, its affiliates' and subsidiaries', businesses without written authority from UNIFI'S General Counsel, unless he is compelled to disclose it by judicial process.

**Confidential Information** - shall mean all information about UNIFI, its affiliates or subsidiaries, or relating to any of their products or any phase of their operations, not generally known to their competitors or which is not public information, which EMPLOYEE knows or acquired knowledge of during the term of his employment.

B. **Documents** - under no circumstances shall EMPLOYEE remove from UNIFI'S offices any of UNIFI'S books, records, documents, files, computer discs or information, reports, presentations, customer lists, or any copies of such documents without UNIFI'S written consent, nor shall he make any copies of UNIFI'S books, records, documents, or customer lists for use outside of UNIFI, except as specifically authorized in writing by UNIFI'S General Counsel.

**Section 8. Non-Compete -**

A. EMPLOYEE agrees that for a period of three (3) years from the Effective Date he will not, in a capacity which actually competes with UNIFI, seek employment or consulting arrangements with or offer advice, suggestions, or input to any

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company, entity or person, which may be construed to be UNIFI'S competitor, and

B. EMPLOYEE agrees that he will not directly or indirectly, for a period of three (3) years from the Effective Date, own any interest in, other than ownership of less than two percent (2%) of any class of stock of a publicly held corporation, manage, operate, control, be employed by, render advisory services to, act as a consultant to, participate in, assess or be connected with any competitor, as hereinafter defined, in a capacity which actually competes with Unifi, unless approved by the General Counsel of UNIFI.

**Competitor** - - shall mean any company (incorporated or unincorporated), entity or person engaged, with respect to EMPLOYEE'S employment, in the business of developing, producing, or distributing a product similar to any product produced by UNIFI, its affiliates or subsidiaries, prior to the Effective Date.

**Section 9. Breach** - EMPLOYEE understands and agrees that UNIFI'S obligation to perform under this Agreement is conditioned upon EMPLOYEE'S covenants and promises to UNIFI as set forth herein. In the event EMPLOYEE breaches any such covenants and promises, or causes any such covenants or promises to be breached, UNIFI in its sole and absolute discretion shall have the option to terminate its performance of its obligations under this Agreement, and UNIFI shall have no further liability or obligation to EMPLOYEE. EMPLOYEE acknowledges that compliance with Sections 7 and 8 of this Agreement is necessary to protect UNIFI'S businesses and goodwill; a breach of said paragraph will do irreparable and continual damage to UNIFI and an award of monetary damages would not be adequate to remedy such harm; therefore, in the event he breaches or threatens to breach this Agreement, UNIFI shall be entitled to both a preliminary and permanent injunction in order to prevent the continuation of such harm. Nothing in this Agreement however, shall prohibit UNIFI from also pursuing any other remedies.

**Section 10. Releases and Waivers of Each Party** - The parties hereto agree as follows:

A. EMPLOYEE hereby fully, completely and unconditionally releases and forever discharges any and all claims, rights, demands, actions, obligations, liabilities, and causes of action of any and every kind (specifically including any and all rights or benefits under the terms of his Employment Agreement and Change of Control Agreement), which he or his heirs, personal representatives or assigns ever had, or now have, or hereafter may have (based on events transpiring on or before the Effective Date) against UNIFI, its subsidiaries and affiliates and their respective officers, directors, shareholders, representatives, counsel and agents, in each case past or present, of whatsoever kind and nature, in law, equity or otherwise, arising out of or in any way connected with his employment, association or other involvement or any type, nature and kind with UNIFI. ***This release and waiver includes but is not limited to claims arising under federal,***

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*state or local laws prohibiting employment discrimination (including the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, and the American With Disabilities Act) or claims growing out of any legal restrictions on the Company's rights to terminate its employees.*

B. UNIFI hereby fully, completely and unconditionally releases and forever discharges any and all claims, rights, demands, actions, obligations, liabilities, and causes of action of any and every kind, which it, its successors or assigns ever had, or now have, or hereafter may have (based on events transpiring on or before the Effective Date) against EMPLOYEE, his heirs, personal representatives or assigns, in each case past or present, of whatsoever kind and nature, in law, equity or otherwise, arising out of or in any way connected with his employment, association or other involvement with UNIFI.

C. EMPLOYEE ACKNOWLEDGES THAT HE HAS READ AND FULLY UNDERSTANDS THE PROVISIONS OF THIS AGREEMENT, HAS HAD SUFFICIENT TIME TO EVALUATE THE TERMS OF THIS AGREEMENT, HAS BEEN ADVISED TO CONSULT WITH COUNSEL BEFORE SIGNING THIS AGREEMENT, AND FREELY AND WITHOUT RESERVATIONS ENTERS INTO THIS AGREEMENT AND THE WAIVERS AND RELEASES CONTAINED HEREIN. EMPLOYEE hereby further acknowledges that in making this Agreement and Release that he understands that he is relying upon his own judgment, belief and knowledge of the extent and nature of said claims and payments or that of his own advisors and expressly acknowledges and confirms that he has not been influenced to any extent whatsoever in making this Agreement and Release by any representations or statements regarding any payments, claims or conditions or regarding any other matters as made by any other person connected with or represented by any of the Parties of this Agreement.

D. The Parties hereto agree that this is a compromised settlement of a doubtful and disputed claim or right to act and the payment of the funds herein and the performance of this Agreement shall not be construed as an admission of liability or responsibility on the part of any of the Parties hereto other than expressly provided for herein. This Agreement shall be deemed to be strictly confidential by and between these Parties and by express agreement and understanding this Agreement shall not be deemed, referenced, cited or referred to by the Parties hereto or any other third parties relating to EMPLOYEE'S employment with UNIFI, nor shall this Agreement be used as evidence in any litigation between and among the Parties to this Agreement (or any other third parties) except to establish only between the Parties to this Agreement specifically the terms and conditions set forth therein. Further, the Parties hereby covenant and agree that upon the execution of this document and prior thereto that they have not nor will they in the future discuss with anyone the terms and conditions of this Agreement or anything pertaining to the terms and conditions of this Agreement, the

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negotiation of the terms and conditions of this Agreement, the settlement terms and conditions of this Agreement or the details of this Agreement, except as required by court order or with the written consent of all parties to this Agreement. Further, all Parties hereto agree that upon receipt of a subpoena or any formal legal request for information covered by or contained in this Agreement that they will as soon as practical notify one another in writing of such pending request to the persons at the addresses set forth herein and that the terms of this Agreement shall remain confidential and shall only be disclosed by any Party hereto as that Party is ordered to do so by a court of competent jurisdiction, or as required for the preparation of any state or federal tax return.

**Section 11. Waiver of Rights** - If, in one or more instances, either Party fails to insist that the other Party perform any of the terms of this Agreement, such failure shall not be construed as a waiver by such Party of any past, present, or future right granted under this Agreement, and the obligations of both Parties under this Agreement shall continue in full force and effect.

**Section 12. Survival** - Except for a termination of this Agreement by EMPLOYEE within seven days of the execution of this Agreement as set forth in Section 20 of this Agreement, the obligations contained in this Agreement shall survive the termination of this Agreement. Additionally, the EMPLOYEE acknowledges that the restrictions and covenants contained in paragraphs 7 and 8 are reasonable and necessary to protect the legitimate business interests of the Company and will not impose an economic hardship on the EMPLOYEE. If any provision of this Agreement is held to be in any respect illegal, invalid or unenforceable under present or future law, such provisions shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provisions had never comprised a part hereof, and the remaining provisions hereof shall remain in full

force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance here from. Furthermore, in lieu of such illegal, invalid or unenforceable provision, the same shall be reformed and modified automatically to be as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable. In addition, the termination of this Agreement shall not affect any of the rights or obligations of either party arising prior to, or at the time of, the termination of this Agreement, or which may arise by any event causing the termination of this Agreement.

**Section 13. Notices** - Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing and if sent by registered or certified mail, postage prepaid, or telecopier to:

EMPLOYEE:  
7505 Forest Creek Ridge Court  
Summerfield NC 27358

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and to:

UNIFI:  
Attn: Charles F. McCoy  
7201 W. Friendly Avenue (27410)  
P.O. Box 19109  
Greensboro, NC 27419-9109  
Fax: (336) 856-4364

**Section 14. Assignment** - The rights and obligations of UNIFI under this Agreement shall inure to the benefit of and be binding upon its successors and assigns. The rights and obligations of EMPLOYEE under this Agreement shall inure to the benefit of and be binding upon his heirs, personal representative, successors and assigns. This Agreement may not be assigned or otherwise transferred voluntarily or involuntarily by EMPLOYEE.

**Section 15. Arbitration** - In the event of any differences of opinion or disputes, between EMPLOYEE and UNIFI, with respect to the construction or interpretation of this Agreement or the alleged breach thereof, which cannot be settled amicably by agreement of the Parties, such disputes shall be submitted to and determined by arbitration by a single arbitrator in the City of Greensboro, North Carolina, in accordance with the rules of the American Arbitration Association and judgment upon the award shall be final, binding and conclusive upon the Parties and may be entered in the highest court, state or federal, having jurisdiction.

**Section 16. Applicable Law** - This Agreement shall be interpreted and construed under the laws of North Carolina.

**Section 17. Entire Agreement** - This Agreement contains the entire agreement of the Parties and supersedes all prior agreements and understandings, oral or written, if any, relating to the EMPLOYEE'S employment and termination of employment with the Company (specifically including his Employment Agreement and Change of Control Agreement), except that any Confidentiality Agreements that were previously executed by EMPLOYEE before or during the term of his employment with UNIFI remain in full force and effect. If there are any conflicts in the terms of this Agreement and such other Confidentiality Agreements, the terms of this Agreement shall control. This Agreement may not be changed or altered, except by an agreement in writing signed by the Party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

**Section 18. Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes and all of which shall be deemed collectively to be one agreement, but in making proof hereof it shall be necessary to exhibit only one such counterpart.

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**Section 19. Continuing Obligations.** EMPLOYEE hereby agrees that he will execute from time to time after the Effective Date any and all such documents, agreements, instruments, certifications, consents, statements, waivers, and/or releases as UNIFI shall request as is necessary to implement and institute the intents and purposes of this Agreement. Additionally, EMPLOYEE acknowledges and agrees that UNIFI shall have the right to set off any obligations owed by EMPLOYEE to UNIFI against the Severance Payment and/or Bi-Weekly Payments and other benefits granted to EMPLOYEE by UNIFI under the terms of this Agreement.

**Section 20. EMPLOYEE'S RIGHT TO REVOKE - NOTWITHSTANDING OTHER PROVISIONS HEREIN TO THE CONTRARY, EMPLOYEE HAS THE RIGHT TO REVOKE THIS AGREEMENT AND ACCEPTANCE OF SEVERANCE PAY PROVIDED HEREIN WITHIN SEVEN (7) DAYS FROM THE DATE EMPLOYEE EXECUTES THIS AGREEMENT. TO EXERCISE THIS RIGHT TO REVOKE, EMPLOYEE MUST NOTIFY THE COMPANY IN WRITING OF HIS DECISION TO REVOKE AS SET FORTH IN SECTION 13 OF THIS AGREEMENT.**

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement under their respective hands and seals this the 4th day of October, 2007.

EMPLOYEE:

/s/ WILLIAM M. LOWE, JR.(Seal)  
**WILLIAM M. LOWE, JR.**

**UNIFI, INC.**

BY: /s/ CHARLES F. MCCOY  
CHARLES F. MCCOY  
VICE PRESIDENT

**For more information, contact:**  
Ronald L. Smith  
Vice President  
Chief Financial Officer  
(336) 316-5545

## **Unifi Announces New Chief Financial Officer**

**GREENSBORO, N.C. - October 4, 2007** - Unifi, Inc. (NYSE:UFI) announced that effective today, Ronald L. Smith has been elected as the Company's Chief Financial Officer. Mr. Smith is replacing William M. Lowe, Jr., who has left the Company.

Mr. Smith, who last week was named the Company's Vice President of Finance and Treasurer, joined Unifi in November 1994 and has held positions as Controller, Chief Accounting Officer and Director of Business Development and Corporate Strategy. He most recently held the position of Treasurer and had additional responsibility for Investor Relations. Prior to joining Unifi, Mr. Smith was with the accounting firm of Ernst and Young. Mr. Smith is a CPA and received his bachelor's degree in business administration, with a major in accounting, from Wake Forest University.

"We are pleased that Ron has accepted this opportunity to lead the financial organization of our Company. Ron brings a well-rounded financial background to the executive team, and we are confident in his abilities to execute our financial strategies in the future," said Bill Jasper, President and Chief Executive Officer of Unifi. "We are excited to have a management team in place at Unifi that is experienced, engaged and committed to bringing the Company back to profitability as soon as possible" continued Jasper.

Unifi, Inc. (NYSE: UFI) is a diversified producer and processor of multi-filament polyester and nylon textured yarns and related raw materials. The Company adds value to the supply chain and enhances consumer demand for its products through the development and introduction of branded yarns that provide unique performance, comfort and aesthetic advantages. Key Unifi brands include, but are not limited to: aio<sup>®</sup> - all-in-one performance yarns, Sorbtek<sup>®</sup>, A.M.Y.<sup>®</sup>, Mynx<sup>®</sup> UV, Repreve<sup>®</sup>, Reflexx<sup>®</sup>, MicroVista<sup>®</sup> and Satura<sup>®</sup>. Unifi's yarns and brands are readily found in home furnishings, apparel, legwear, and sewing thread, as well as industrial, automotive, military, and medical applications. For more information about Unifi, visit <http://www.unifi.com>.

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*Unifi Announces New Chief Financial Officer - page 2*

### **CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

Certain statements included herein contain forward-looking statements within the meaning of federal security laws about Unifi, Inc.'s (the "Company") 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, as well as management's beliefs and assumptions. 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, operating performance of joint ventures, alliances and other equity investments, technological advancements, employee relations, changes in construction spending, capital expenditures and long-term investments (including those related to unforeseen acquisition opportunities), continued availability of financial resources through financing arrangements and operations, outcomes of pending or threatened legal proceedings, negotiation of new or modifications of existing contracts for asset management and for property and equipment construction and acquisition, regulations governing tax laws, other governmental and authoritative bodies' policies and legislation, and proceeds received from the sale of assets held for disposal. In addition to these representative factors, forward-looking statements could be impacted by general domestic and international economic and industry conditions in the markets where the Company competes, such as changes in currency exchange rates, interest and inflation rates, recession and other economic and political factors over which the Company has no control. Other risks and uncertainties may be described from time to time in the Company's other reports and filings with the Securities and Exchange Commission.

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