

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

For the quarterly period ended September 24, 1995

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 1-10542

UNIFI, INC.

(Exact name of registrant as specified its charter)

New York 11-2165495
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

P.O. Box 19109 - 7201 West Friendly Road 27419
Greensboro, NC (Address of principal executive offices) (Zip Code)

(910) 294-4410
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year,
if changed since last report)

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 No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

Class	Outstanding at October 29, 1995
Common Stock, par value \$.10 per share	66,296,374 Shares

PART I. FINANCIAL INFORMATION

UNIFI, INC.

Condensed Consolidated Balance Sheets

	September 24, 1995 (Unaudited)	June 25, 1995 (Audited)
	(Amounts in Thousands)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$50,231	\$60,350
Short-Term Investments	109,304	85,844
Receivables	212,971	209,432
Inventories:		
Raw Materials and Supplies	56,967	58,959
Work in Process	14,415	14,296
Finished Goods	67,072	66,123
Other Current Assets	4,175	8,017
Total Current Assets	515,135	503,021
Property, Plant and Equipment		
(Notes e and f)	934,521	910,383
Less: Accumulated Depreciation	413,940	394,168
	520,581	516,215
Investments in Affiliates	43	173
Other Assets	13,940	21,493
Total Assets	\$1,049,699	\$1,040,902

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts Payable	\$112,690	\$100,165
Accrued Expenses	63,543	54,338
Income Taxes	27,495	15,161
Total Current Liabilities	203,728	169,664
Long-Term Debt	230,000	230,000

Deferred Income Taxes	29,079	37,736
Shareholders' Equity:		
Common Stock	6,660	6,714
Capital in Excess of Par Value	103,506	117,277
Retained Earnings	472,044	473,962
Cumulative Translation Adjustment	3,349	4,415
Unrealized Gains on Certain Investments	1,333	1,134
Total Shareholders' Equity	586,892	603,502
Total Liabilities and Shareholders' Equity	\$1,049,699	\$1,040,902

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.

Condensed Consolidated Statements of Income

(Unaudited)

For the Quarters Ended
September 24, 1995 September 25,
1994
(Amounts in Thousands, Except
Per Share Data)

Net Sales	\$387,369	\$359,194
Costs and Expenses:		
Cost of Goods Sold	342,440	310,860
Selling, General and Administrative Expense	10,072	9,674
Interest Expense	3,677	3,938
Interest Income	(2,637)	(2,652)
Other (Income) Expense	(430)	(579)
Non-Recurring Charge (Note e)	23,826	--
	376,948	321,241
Income Before Income Taxes	10,421	37,953
Provision for Income Taxes	3,654	15,264
Net Income	\$6,767	\$22,689
Earnings Per Share: Primary	\$.10	\$.32
Fully Diluted	\$.10	\$.32
Cash Dividends Per Share	\$.13	\$.10

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Quarters Ended	
	September 24, 1995	September 25, 1994
	(Amounts in Thousands)	
Cash and Cash Equivalents Provided by Operating Activities	\$50,059	\$41,543
Investing Activities:		
Capital Expenditures	\$(25,687)	\$(23,736)
Purchase of Short-Term Investments	(47,252)	--
Sale of Capital Assets	--	308
Notes Receivable	257	(306)
Proceeds from Sale of Subsidiary and Equity Investment	10,436	13,798
Sale of Short-Term Investments	24,579	1,580
Net Investing Activities	\$(37,667)	\$(8,356)
Financing Activities:		
Issuance of Common Stock	\$--	\$299
Purchase and Retirement of Common Stock	(13,825)	--
Cash Dividend	(8,685)	(7,045)
Net Financing Activities	\$(22,510)	\$(6,746)
Currency Translation Adjustment	\$(1)	\$71
Increase (Decrease) in Cash	\$(10,119)	\$26,512
Cash and Cash Equivalents - Beginning	60,350	80,653
Cash and Cash Equivalents - Ending	\$50,231	\$107,165

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Notes to Condensed Consolidated Financial Statements

(a)Basis of Presentation

The information furnished is unaudited and reflects all adjustments which are, in the opinion of Management, necessary to present fairly the financial position at September 24, 1995 and the results of operations and cash flows for the quarters ended September 24, 1995 and September 25, 1994. Such adjustments consisted of normal recurring items for both periods presented and, for the current quarter, the non-recurring charge described in Note (e). Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

(b)Income Taxes

Deferred income taxes have been provided for the temporary differences between financial statement carrying amounts and tax basis of existing assets and liabilities.

The difference between the statutory federal income tax rate and the effective tax rate is primarily due to results of foreign subsidiaries which are taxed at rates below those of U.S. operations. The current quarter's pre-tax income from the Company's foreign operations represented a higher percentage of the Company's consolidated results than the corresponding period of the prior year which contributed to the decline in the lower effective tax rate.

(c)Per Share Information

Earnings per common and common equivalent share are computed on the basis of the weighted average number of common shares outstanding plus, to the extent applicable, common stock equivalents.

The effect of the convertible subordinated notes was antidilutive for the quarter ended September 24, 1995. Accordingly, fully diluted earnings per share for the quarter has been reported consistent with the primary earnings per share result.

Computation of average shares outstanding (in 000's):

	Quarters Ended	
	September 24, 1995	September 25, 1994
Weighted Average Shares		
Outstanding	66,886	70,449
Add: Dilutive Options	487	503
Primary Shares	67,373	70,952
Incremental Shares Arising from		
Full Dilution Assumption		7,753
Average Shares Assuming		
Full Dilution		78,705

Computation of net income for per share data (in 000's):

	Quarters Ended	
	September 24, 1995	September 25, 1994
Net Income - Primary	\$6,767	\$22,689
Add: Convertible Subordinated		
Interest Net of Tax		2,169
Net Income Assuming Full		
Dilution		\$24,858

(d)Common Stock

On October 19, 1995 the Company's Board of Directors declared a cash dividend of 13 cents per share payable on November 10, 1995 to shareholders of record on November 3, 1995.

(e)Non-Recurring Charge

As disclosed in the Company's 10-K for the year ended June 25, 1995 the Company announced on September 18, 1995 restructuring plans to further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing operations and the disposition of underutilized assets. The restructuring plan is focused on the consolidation of production facilities acquired via mergers during the preceding four years and reflects the Company's continued efforts to streamline operations. As part of the restructuring action, the Company will close its spun cotton manufacturing facilities in Edenton and Mount Pleasant, North Carolina with the majority of the manufacturing production being transferred to other facilities. Approximately 275 jobs, primarily wage-level positions, will be affected.

The estimated cost of restructuring resulted in a first quarter fiscal 1996 non-recurring charge to earnings of \$23.8 million or an after-tax charge to earnings of \$14.9 million (\$.22 per share). The significant components of the non-recurring charge include \$2.4 million of severance and other employee-related costs from the termination of employees and a \$21.4 million write-down to estimated fair value less the cost of disposal of underutilized assets and consolidated facilities to be disposed. The balance sheet at September 24, 1995, reflects primarily in property, plant and equipment the net book value of these assets amounting to \$27.6 million for which net recoveries of \$6.2 million are expected. Costs associated with the relocation of equipment or personnel will be expensed as incurred.

The Company anticipates that all significant aspects of the consolidation of spun yarn facilities would be accomplished within a one year period. However, the ultimate disposal of the equipment and facilities may take longer due to current market conditions and the physical locations of the properties.

(f)Accounting for Long-Lived Assets

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

(g)Pending Nylon Machinery Purchase

On October 2, 1995 the Company announced a definitive agreement with Glen Raven Mills, Inc. to purchase its nylon texturing machinery and associated equipment located in Norlina, North Carolina for a purchase price anticipated to be less than \$50 million. This transaction is currently pending FTC approval. This productive capacity will be integrated into our nylon/covered yarn operations.

Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following is Management's discussion and analysis of certain significant factors that have affected the Company's operations and material changes in financial condition during the periods included in the accompanying Condensed Consolidated Financial Statements.

Results of Operations

Net sales increased 7.8% in the quarter from \$359.2 million to \$387.4 million. Volume increased 1.4% for the quarter while average unit price, based on overall product mix, increased 6.4% during this period.

Demand for our domestic yarn products for the quarter was hindered by weakness in retail sales. Despite the unfavorable conditions in the retail markets, our domestic sales increased 5.6%. This was accomplished by a 6.4% increase in average unit prices, based on product mix, offsetting a modest decline in unit volume of approximately 1%. Unit sales of our domestic polyester yarns increased slightly over the corresponding quarter of the prior year in combination with increases in our average sales price that effectively offset increases in raw material costs during the period. Unit volume for our nylon yarn operations has declined over the prior year comparative period. However, a shift in product mix in the nylon yarn operations to higher priced products has substantially offset raw material price increases and the volume decrease experienced. Volume for our spun yarn operations has declined during this quarter compared with the corresponding quarter of the prior year due to softness in the market. The spun yarn operations have experienced an increase in average unit sales prices which have offset raw material price increases during this period resulting in an overall increase in aggregate sales dollars.

Unit volume for our European polyester yarn operations has shown significant improvement as demand levels have us operating at capacity after the traditional summer holidays. Improvements have also been noted in our average sales price compared to the corresponding quarter of the prior fiscal year as these prices were raised to partially offset the effects of higher raw material costs. The previously-announced capacity expansion is on schedule to be completed by January 1996.

Cost of sales as a percentage of net sales for the quarter increased from 86.5% last year to 88.4% this year. Raw material and packing material costs, manufacturing expense and depreciation have all increased in whole dollars and on a per unit basis resulting in an overall 8.6% increase in cost of sales per unit compared to the corresponding quarter of the prior year. The Company has substantially offset the effects of these higher costs with increased sales prices in generally all of its markets.

Selling, general and administrative expense as a percentage of net sales decreased from 2.7% to 2.6% in the current quarter. During the quarter actual selling, general and administrative expense increased 4.1% from \$9.7 million to \$10.1 million. The improvement in selling, general and administrative expense as a percentage of sales is attributable to higher sales dollars which absorbed the increased current period costs.

Interest expense decreased from \$3.9 million in the prior fiscal year first quarter to \$3.7 million in the current quarter. Interest income has remained relatively constant during the quarter compared to the corresponding period of the prior year.

On September 18, 1995, the Company announced restructuring plans to further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing operations and the disposition of underutilized assets. The restructuring plan is focused on the consolidation of production facilities acquired via mergers during the preceding four years and reflects the Company's continued efforts to streamline operations. As part of the restructuring plan, the Company has announced the closing of the spun yarn manufacturing facilities in Edenton and Mount Pleasant, North Carolina, with the majority of the manufacturing production being transferred to other facilities. The Company anticipates that the benefits of these actions on reduced manufacturing costs will begin to be realized during the first calendar quarter of 1996.

The estimated cost of restructuring resulted in a first quarter fiscal 1996 non-recurring charge to earnings of \$23.8 million or an after-tax charge to earnings of \$14.9 million (\$.22 per share). The significant components of the non-recurring charge include \$2.4 million of severance and other

employee-related costs from the termination of approximately 275 employees and a \$21.4 million write-down to estimated fair value less the cost of disposal of underutilized assets and consolidated facilities to be disposed. Costs associated with the relocation of equipment or personnel will be expensed as incurred.

The Company anticipates that all significant aspects of the consolidation of spun yarn facilities would be accomplished within a one year period. However, the ultimate disposal of the equipment and facilities may take longer due to current market conditions and the physical locations of the properties.

The Company adopted FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived assets to be Disposed Of, (SFAS 121), in the first quarter of 1996. There was no cumulative effect on the financial statements from the initial adoption of SFAS 121; however, the accounting principles described in this statement were utilized in estimating the above described non-recurring charge for the current quarter.

Our effective tax rate was 35.1% in the current quarter as compared with 40.2% in the prior quarter. The lower rate in the current period is primarily due to the pretax earnings of foreign subsidiaries, which are taxed at rates lower than U.S. rates, representing a larger contribution of total consolidated pre-tax income. Additionally, the Company will realize the benefit of certain increased tax credits during fiscal 1996.

Earnings per share for the current quarter were \$.10 compared to \$.32 for the corresponding quarter of the prior year. Earnings per share for the current quarter were adversely affected by the non-recurring charge to earnings of \$.22 per share.

Liquidity and Capital Resources

We ended the current quarter with working capital of \$311.4 million of which \$159.5 million represents cash and short-term investments. This compares with working capital of \$333.4 million and cash and short-term investments of \$146.2 million at year end. In addition, the Company has access to debt and equity markets.

Our primary source of cash funds is from operating activities which generated \$50.1 million in cash and cash equivalents for the current quarter. The Company utilized \$37.7 million and \$22.5 million for net investing and financing activities, respectively, for the quarter ended September 24, 1995. These net investing and financing activities were primarily comprised of \$12.0 million of funds used for net investment activity, \$25.7 for capacity expansions and upgrades, \$8.7 million for the payment of the Company's cash dividends and \$13.8 million for the purchase and retirement of Company common stock.

On October 21, 1993, the Board of Directors authorized Management to repurchase up to 15 million shares of Unifi's common stock from time to time at such prices as Management feels advisable and in the best interest of the Company. Approximately 4.0 million shares have been repurchased as of September 24, 1995, pursuant to this Board authorization.

On October 2, 1995, the Company announced a definitive agreement with Glen Raven Mills, Inc. to purchase its nylon texturing machinery and associated equipment located in Norlina, North Carolina. Annual sales from this operation approximate \$75 million. The transaction is currently pending FTC approval. The purchase price is anticipated to be less than \$50 million and will be satisfied with current cash reserves.

At September 24, 1995, the Company has committed approximately \$119.4 million for the purchase of equipment and facilities, excluding the Glen Raven acquisition, which is scheduled to be expended in fiscal years 1996 through 1998.

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

PART II. OTHER INFORMATION

UNIFI, INC.

Item 6. Exhibits and Reports on Form 8-K

(a) (10.1) Factoring Agreement dated August 23, 1995, by and between Republic Factors Corp. and Unifi, Inc., filed herewith.

(10.2) Consent to Action Without Meeting By The Stock Option Committee Of The Unifi Spun Yarns, Inc.'s 1992 Employee Stock Option Plan effective September 1, 1995, filed herewith.

(27) Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter ended September 24, 1995.

UNIFI, INC.

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 thereunto duly authorized.

UNIFI, INC.

Date: 11/07/95

WILLIS C. MOPORE, III
Willis C. Moore, III
Vice President and Chief
Financial Officer (Mr. Moore is
the Principal Financial and
Accounting Officer and has been
duly authorized to sign on behalf
of the Registrant.)

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 24, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	
JUN-30-1996	SEP-24-1995
	50,231
	109,304
	219,988
	7,017
	138,454
515,135	
	934,521
	413,940
1,049,699	
203,728	
	230,000
	6,660
0	
	0
	580,232
1,049,699	
	387,369
387,369	
	342,440
	342,440
	23,826
	0
3,677	
	10,421
	3,654
6,767	
	0
	0
	0
	6,767
	.10
	.10

OTHER EQUITY OF \$580,232 IS COMPRISED OF CAPITAL IN EXCESS OF PAR VALUE OF \$103,506, RETAINED EARNINGS OF \$472,044, CUMULATIVE TRANSLATION ADJUSTMENT OF \$3,349 AND UNREALIZED GAINS ON CERTAIN INVESTMENTS OF \$1,333.

FACTORING AGREEMENT

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

Re: Unifi, Inc.

Ladies and Gentlemen:

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

1. PURCHASE OF RECEIVABLES:

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

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

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

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

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

F. Net Sales relating to each Receivable shall be credited to our account net of any deductions as of the last day of the month in which such Receivables are specifically assigned and shall be available for payment on the Settlement Date of the month in which such Receivables are specifically

assigned and such credit shall constitute payment in full of such receivable. At your election, you may deduct from Net Sales available for payment on the Settlement Date or charge our account with your factoring commission and interest, fees and chargebacks as provided in this Agreement.

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

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

3. SECURITY INTEREST: As security for any and all Obligations, you shall be entitled to hold and we hereby grant to you a continuing general lien upon, security interest in and to, and right of set off on or against any or all of the following, whether now or hereafter existing or acquired (collectively, the "Collateral"): our reserves, all balances, sums and other property at any time to our credit or in your possession or in the possession of any of your Affiliates, together with all merchandise the sale of which resulted in the creation of Receivables and in all such merchandise that may be returned by customers and Receivables, if and to the extent we are deemed to have any rights therein, and all books and records relating to any of the foregoing, including the cash and non-cash proceeds of all of the foregoing. We represent, warrant and covenant to you that we now have, and shall at all times continue to have, good and marketable title to all of the Collateral, free and clear of any and all liens, security interest and encumbrances. We shall execute and deliver to you all financing statements and other documents and instruments that you may request to perfect, protect or establish your security interest hereunder. We shall reimburse you for, and you shall be entitled to charge our account with, all reasonable costs and expenses incurred by you in connection with the enforcement of this Agreement, or to enforce any of the Obligations, or in the prosecution or defense of any action, between you or us, concerning any matter growing out of or in any manner relating to this Agreement or other Collateral or any Obligation whatsoever including, without limitation, all reasonable fees and expenses of your attorneys (including in-house counsel), incurred in connection with the foregoing, including, without limitation, those incurred in connection with any state court insolvency case or proceeding or federal bankruptcy case or proceeding, and all fees and costs in connection with public record searches and filings, investigation, accounting and periodic field examination fees and expenses (whether from your own or outside investigators, auditors or examiners) and all other costs and expenses with respect thereto, whether or not a legal action is commenced by or against us, and if such action is commenced, whether or not judgment is obtained. Recourse to security or any Collateral shall not at any time be required and we shall at all times remain liable for the repayment on demand to you of all loans and advances to or for our account and of all other Obligations at any time or from time to time owing to you or any of your Affiliates.

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

5. INTEREST:

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

B. Interest on all sums charged to us or to or for our account or payable to us by you during any month shall be calculated from the date any such charge was incurred to

and including the Settlement Date of such month. Interest on all sums advanced to us or to or for our account shall be calculated from the date of such advance up to and including the date on which such advance is repaid.

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

D. If for any reason there remains with you past any Settlement Date any balance owing to us ("Matured Funds"), you shall pay us interest on such Matured Funds from the day after Settlement Date up to and including the date such funds are remitted to us, at a rate per annum equal to 2% below the Republic Reference Rate in effect during each day in which such Matured Funds are retained by you. The applicable Republic Reference Rate to be determined in accordance with Section 5.A above. You reserve the right to remit such Matured Funds to us at any time.

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

7. COMMISSIONS:

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

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

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

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

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

9. DISPUTES AND CHARGEBACKS: We hereby further warrant to you that the customer in each instance has received and will accept the merchandise sold and the bill or invoice therefor, and will pay the same as and when due without any Dispute. We will notify you promptly of, and, at our own cost and expense,

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

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

11. MAINTENANCE OF RECORDS:

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

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

12. CERTAIN COSTS AND EXPENSES:

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

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

C. You may modify the charges set forth in Sections

4, 7.B, 7.C and 12.A above, from time to time, on not less than sixty (60) days prior written notice.

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

14. WARRANTIES AND AGREEMENTS:

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

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

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

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

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

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

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

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

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

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

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

(h) "Net Sales" shall mean the gross face amount of

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

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

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

(k) "Republic Reference Rate" shall mean the lending rate established by Republic National Bank of New York from time to time at its principal domestic office as its reference lending rate for domestic commercial loans.

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

16. TERM AND EVENTS OF DEFAULT:

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

shall admit in writing its inability to, pay its debts as they become due; entry of a judgment against us or any of them; failure to pay or remit any tax when assessed or due; making a bulk transfer or sending notice of intent to do so; granting any security interest (other than to you) in the Collateral without your prior written consent; suspension or liquidation of the usual business of us or any of them; failing to furnish you with any requested financial information or failing to permit inspection of books or records by you or any of your agents, attorneys or accountants; the occurrence of a default or event of default under any guarantee or security agreement guaranteeing or securing any Obligations; we or any of them (if a corporation) shall become a party to any merger or consolidation without your prior written consent unless the surviving entity shall specifically assume our obligations hereunder and have a net worth upon the effectiveness of such merger or consolidation at least equal to ours immediately prior thereto; or control of us or any of them (if a corporation or partnership) shall change.

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

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

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

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

B. We agree that any Claim or cause of action by us against you, or any of your directors, officers, employees, agents, accountants or attorneys, based on, arising from or relating in any way to this Agreement, or any supplement or amendment hereto, or any other present or future agreement between us, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter whatsoever shall be barred unless asserted by us by the commencement of an action or proceeding in a court of competent jurisdiction by the filing of a complaint within three years after the first act, occurrence or omission upon which such Claim or cause of action, or any part thereof, is based, and the service of a summons and complaint upon one of your officers, within thirty (30) days thereafter. We agree that said three year period is a reasonable and sufficient time for us to investigate and act upon such Claim or cause of action. Said three year period shall not be waived, tolled or extended except by specific written consent by you.

C. In performing your obligations under this Agreement, you shall be liable to us for only your negligence or willful misconduct. No person or entity shall be a third party

beneficiary of any of our rights or claims under this Agreement and in particular, but not by way of limitation, you shall not be liable to any third party to effect a transfer in accordance with our instructions due to mechanical, computer or electrical failures or for any other reason beyond your control. You shall have no obligation to pursue, or assist us in pursuing, any claim we may have against any third party. In no event, shall you be liable for special, punitive, indirect or consequential damages, nor shall any action or inaction on your part, constitute a waiver by you of any cause of action or defense.

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

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

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

Very truly yours,

ATTEST:

GEORGE ALFRED WEBSTER

ROBERT A. WARD

[SEAL]

By: Executive Vice President
Title:

ACCEPTED AT NEW YORK, NEW YORK

ON August 23, 1995

REPUBLIC FACTORS CORP.

By: MARC HELLER
Title: Senior Vice President

EXHIBIT (10.2)
CONSENT TO ACTION WITHOUT MEETING
BY THE STOCK OPTION COMMITTEE OF THE UNIFI SPUN YARNS, INC.'S
1992 EMPLOYEE STOCK OPTION PLAN

WHEREAS, Vintage Yarns, Inc. ("Vintage") instituted its 1992 Employee Stock Option Plan ("Vintage Plan") on April 1, 1992, that provided, among other things, that the option exercise price of stock options issued under the Vintage Plan shall be paid in cash at the time an optionee gives notice of exercise of an option; and

WHEREAS, Vintage, whose name was changed to Unifi Spun Yarns, Inc. ("USY"), became a wholly-owned subsidiary of Unifi, Inc. ("Unifi") on April 23, 1993, pursuant to the terms of a Reverse Triangular Merger and options under the Vintage Plan were converted to options to purchase Unifi stock; and

WHEREAS, effective May 12, 1993, the Board of Directors of USY changed the name of the Vintage Plan to the Unifi Spun Yarns, Inc.'s 1992 Employee Stock Option Plan ("USY Plan") and appointed a Stock Option Committee for the USY Plan made up of G. Allen Mebane, William T. Kretzer and Robert A. Ward; and

WHEREAS, USY merged with and into Unifi on December 26, 1994 and the USY Plan contained in existence after the merger, although no further options can be granted under the same; and

WHEREAS, the Stock Option Committee deems it in the Optionees of the USY Plan and Unifi's best interest for it, pursuant to Paragraph 14 of the USY Plan, to amend the USY Plan to provide for payment of the option exercise price in cash or for exchange of shares of Unifi's Common Stock previously owned by the optionee.

NOW, THEREFORE, BE IT RESOLVED, that the Second Sentence of Paragraph 7(b) of the USY Plan is deleted in its entirety and substituted with the following:

Such notice shall specify the number of shares to be purchased pursuant to an option and the aggregate purchase price to be paid therefore, and shall be accompanied by the payment of such purchase price in cash or by the exchange of shares of the Corporation's Common Stock, previously owned by the optionee, at the fair market value of said shares on the date of exercise or such other form of payment and upon such other terms and conditions as are acceptable to the Committee.

This Consent is effective as of the 1st day of September, 1995 and may be signed in counterparts.

STOCK OPTION COMMITTEE

G. ALLEN MEBANE
G. Allen Mebane

WILLIAM T.KRETZER
William T.Kretzer

ROBERT A. WARD
Robert A. Ward