

UNIFI INC
Form DEF 14A
September 18, 2008

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**Schedule 14A
(Rule 14A-101)
Information Required In Proxy Statement
SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934
(AMENDMENT NO.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

UNIFI, INC.

(Name of Registrant as Specified In Its Charter)

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

PAYMENT OF FILING FEE (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - 1) Title of each class of securities to which transaction applies:

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

 - 4) Proposed maximum aggregate value of transaction:

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- 1) Amount Previously Paid:
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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue
Greensboro, North Carolina 27410

September 18, 2008

To The Shareholders Of
Unifi, Inc.

The Annual Meeting of Shareholders of your Company will be held at 9:00 A.M. Eastern Daylight Savings Time on Wednesday, October 29, 2008, at the Company's corporate headquarters at 7201 West Friendly Avenue, Greensboro, North Carolina.

Pursuant to new rules promulgated by the Securities and Exchange Commission, we are providing access to our proxy materials over the Internet. On or about September 18, 2008 we will mail a Notice of Internet Availability of Proxy Materials (the "Notice") to our Shareholders of record and beneficial owners at the close of business on September 10, 2008. On the date of mailing of the Notice, all Shareholders and beneficial owners will have the ability to access all of the proxy materials on a website referred to in the Notice. These proxy materials will be available free of charge.

Detailed information relating to the Company's activities and operating performance is contained in its Annual Report on Form 10-K for the fiscal year ended June 29, 2008, which is available over the Internet as described in the Notice.

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

Sincerely,

William L. Jasper
President and Chief Executive Officer

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue
Greensboro, North Carolina 27410

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON OCTOBER 29, 2008**

To The Shareholders of Unifi, Inc.:

The Annual Meeting of Shareholders of Unifi, Inc. (the Company) will be held at the Company's corporate headquarters at 7201 West Friendly Avenue, Greensboro, North Carolina, on Wednesday, October 29, 2008 at 9:00 A.M. Eastern Daylight Savings Time, for the following purposes:

1. To elect ten (10) directors to serve until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified.
2. To approve the 2008 Unifi, Inc. Long-Term Incentive Plan.
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors, under the provisions of the Company's By-Laws, has fixed the close of business on September 10, 2008, as the record date for determination of Shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders or any adjournment or adjournments thereof. The transfer books of the Company will not be closed.

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

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

By Order Of The Board Of Directors:

Charles F. McCoy
Vice President, Secretary and General Counsel

Greensboro, North Carolina
September 18, 2008

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PROVIDING INNOVATIVE FIBERS AND COMPETITIVE SOLUTIONS®

7201 West Friendly Avenue
Greensboro, North Carolina 27410

PROXY STATEMENT

SOLICITATION OF PROXIES

This solicitation of the enclosed proxy is made by the Board of Directors (the **Board**) of Unifi, Inc. (the **Company**) for use at the Annual Meeting of Shareholders to be held Wednesday, October 29, 2008, at 9:00 A.M. Eastern Daylight Savings Time, at the Company's corporate headquarters located at 7201 West Friendly Avenue, Greensboro, North Carolina, or at any adjournment or adjournments thereof (the **Annual Meeting**).

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

It is anticipated that the Notice will be sent to Shareholders on or about September 18, 2008. The Proxy Statement and the form of proxy relating to the Annual Meeting will be made available to Shareholders on the date that the Notice is first sent.

The proxy may be revoked in writing by the person giving it at any time before it is exercised either by notice to the Secretary or by submitting a proxy having a later date, or it may be revoked by such person by appearing at the Annual Meeting and electing to vote in person. All shares represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified therein. If no specification is made with respect to the matter to be acted upon, the shares represented by the proxies will be voted (i) in favor of electing as directors of the Company the ten (10) nominees for director named in this Proxy Statement, (ii) to approve the 2008 Unifi, Inc. Long-Term Incentive Plan and (iii) in the discretion of the proxy holder on any other matters presented at the Annual Meeting.

The expense of this solicitation will be borne by the Company. Solicitations of proxies may be made in person, by mail or by telephone, telegraph or electronic means by directors, officers and regular employees of the Company who will not be specially compensated in such regard. In addition, the Company has retained D. F. King & Company to assist in the solicitation of proxies and will pay such firm a fee estimated not to exceed \$8,500 plus reimbursement of expenses. Arrangements will be made with brokers, nominees and fiduciaries to send proxies and proxy materials, at the Company's expense, to their principals.

The Company's common stock (the **Common Stock**), par value \$.10 per share is the only class of stock of the Company. Only Shareholders of record, as of the close of business on September 10, 2008 (the **Record Date**), will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. As of the Record Date, the Company had outstanding 61,557,600 shares of its Common Stock. Each share of the Common Stock entitles the holder to one vote with respect to each matter coming before the Annual Meeting and all such shares vote as a single

class.

VOTING OF SHARES

The holders of a majority of the outstanding shares entitled to vote, present in person or represented by proxy at this meeting, will constitute a quorum for the transaction of business. New York law and the Company's By-Laws require the presence of a quorum at annual meetings of Shareholders. Abstentions and broker non-votes are counted

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as present for purposes of determining a quorum. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

If your shares are held in street name and you do not give instructions as to how you want your shares voted, the bank, broker or other nominee who holds the Company's shares on your behalf may, in certain circumstances, vote the shares at its discretion. However, such bank, broker or other nominee is not required to vote the shares of Common Stock and in some instances is prohibited from doing so.

With respect to routine matters, such as the election of directors, a bank, broker or other nominee has authority (but is not required) under the rules of the New York Stock Exchange (NYSE), to vote a client's shares if a client does not provide instructions. When a bank, broker or other nominee votes its clients' shares on routine matters without receiving voting instructions, these shares are counted both for establishing a quorum to conduct business at the meeting and in determining the number of shares voted for, or against such routine matters.

With respect to non-routine matters, a bank, broker or other nominee is not permitted under the NYSE rules to vote its clients' shares if the clients do not provide instructions. The bank, broker or other nominee will so note on the vote card, and this constitutes a broker non-vote. Broker non-votes will be counted for purposes of establishing a quorum to conduct business at the meeting but not for determining the number of shares voted for, against or abstaining from such non-routine matters.

Accordingly, if you do not vote your proxy, your brokerage firm, bank or other nominee may either: (i) vote your shares on routine matters and cast a broker non-vote on non-routine matters, or (ii) leave your shares unvoted altogether.

Each share represented is entitled to one vote on all matters properly brought before the Annual Meeting. Directors will be elected by a plurality of the votes cast by the Shareholders at a meeting in which a quorum is present. The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the Plan. Therefore, shares not voted and broker non-votes will have no affect on the election of directors, but shares which abstain from the approval of the 2008 Unifi, Inc. Long-Term Incentive Plan, will have the same effect as a vote against such proposal.

INFORMATION RELATING TO PRINCIPAL SECURITY HOLDERS

The following table sets forth information, as of September 5, 2008, with respect to each person known or believed by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock. The nature of beneficial ownership of the shares indicated is set forth in the notes following the table.

<i>Name and Address of Beneficial Owner</i>	<i>Amount and Nature Beneficially Owned(1)</i>	<i>Percent of Class</i>
Dillon Yarn Corporation(2) 55 East 34th Street Patterson, NJ 07514	5,555,555	9.02%
Dimensional Fund Advisors LP(3) 1299 Ocean Avenue Santa Monica, CA 90401	4,978,317	8.09%
William M. Sams(4)	4,520,000	7.34%

750 North St. Paul, Suite 1650
Dallas, TX 75201
Stephen Wener(5)
53 East 34th Street
Patterson, NJ 07514

5,688,205

9.23%

- (1) Beneficial Ownership, for purposes of the table, is determined according to the meaning of applicable securities regulations and based on a review of reports filed with the SEC pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act).
- (2) As indicated in its Schedule 13D, filed January 16, 2007, Dillon Yarn Corporation (Dillon), a textile manufacturer and distributor, beneficially owned 8,333,333 shares by virtue of having sole voting and dispositive power

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over such shares. Subsequent to this filing, 2,777,778 of these shares were sold by Dillon. As a result, Dillon may be deemed to beneficially own 5,555,555 shares by virtue of having sole voting and dispositive power over such shares.

- (3) As indicated in its Schedule 13G/A, filed February 6, 2008, Dimensional Fund Advisors Inc., an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, may be deemed to beneficially own 4,978,317 shares by virtue of having sole voting and dispositive power over such shares.
- (4) As indicated in a Form 4, filed May 12, 2008, includes 200,000 shares owned by Marlin Sams Fund L.P, which Mr. Sams is a General Partner of and has investment authority over and which Mr. Sams disclaims ownership of, 10,000 shares that Mr. Sams would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 1, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Sams would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 1, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.
- (5) As indicated in a Form 4, filed February 19, 2008, includes 5,555,555 shares owned by Dillon, in which Mr. Wener owns 23% and his wife owns 2%, of which Mr. Wener has shared voting and investment power, and 10,000 shares that Mr. Wener would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Wener would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.

ELECTION OF DIRECTORS

General Information

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

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

NOMINEES FOR ELECTION AS DIRECTORS

WILLIAM J. ARMFIELD, IV, (73) *Mr. Armfield has been the President of Spotswood Capital, LLC, Greensboro, North Carolina, a private investment company since 1995. Mr. Armfield was a director and President of Macfield, Inc., a textile company in North Carolina, from 1970 until August 1991, when Macfield, Inc. merged with and into Unifi, Inc. Mr. Armfield was the Vice Chairman and a director of the Company from 1991 to December 1995. Mr. Armfield again became a director of the Company in 2001, and is a member of the Company's Audit Committee (Chair), Corporate Governance and Nominating Committee and Compensation Committee. Mr. Armfield serves as the Audit Committee financial expert.*

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R. ROGER BERRIER, JR., (39) *Mr. Berrier has been the Executive Vice President of Sales, Marketing and Asian Operations of the Company since September 2007.* Prior to that, he had been the Vice President of Commercial Operations since April 2006 and the Commercial Operations Manager responsible for corporate product development, marketing and brand sales management from April 2004 to April 2006. Mr. Berrier joined the Company in 1991 and has held various management positions within operations, including international operations, machinery technology, research & development and quality control. He has been a director since September 2007 and is a member of the Company's Executive Committee.

ARCHIBALD COX, JR., (68) *Mr. Cox has been the Chairman of Barclays Americas since May 2008.* He was Chairman of Neo Material Technologies Inc. a manufacturer of rare earth, zirconium and magnetic materials, from September 2005 to September 2006. Mr. Cox was the President and Chief Executive Officer of Magnequench, Inc., a manufacturer of magnetic material, from October 1995 to August 2005, and was the Chairman of Manequench from September 2005 to September 2006. Mr. Cox is the Chairman of Sextant Group, Inc. and a director of Hutchinson Technology Incorporated. Mr. Cox has been a director of the Company since February 2008, and is a member of the Company's Audit Committee.

WILLIAM L. JASPER, (55) *Mr. Jasper has been the Company's President and Chief Executive Officer since September 2007.* He had been the Vice President of Sales since 2006. Prior to that, Mr. Jasper was the General Manager of the Polyester segment, having responsibility for all natural polyester businesses. He joined the Company with the purchase of the Kinston polyester POY assets from INVISTA, which was previously known as DuPont Textiles and Interiors, a subsidiary of E.I. du Pont de Nemours and Co. (DuPont), before it was spun off and acquired by Koch Industries, in September 2004. Prior to joining the Company, he was the Director of INVISTA's Dacron® polyester filament business. Before working at INVISTA, Mr. Jasper held various management positions in operations, technology, sales and business for DuPont since 1980. He has been a director since September 2007 and is a member of the Company's Executive Committee.

KENNETH G. LANGONE, (72) *Mr. Langone has been the President and Chief Executive Officer of Invemed Associates, LLC, an investment banking firm, New York, New York, since 1974.* Mr. Langone is also a director of ChoicePoint Inc. and YUM! Brands, Inc. Mr. Langone has been a director of the Company since 1969, and is a member of the Company's Corporate Governance and Nominating Committee (Chair).

CHIU CHENG ANTHONY LOO, (56) *Mr. Loo has been the Managing Director of Rio Tinto China and Rio Tinto Asia, subsidiaries of Rio Tinto Plc, a mining company, since July 2004.* Prior to joining Rio Tinto, Mr. Loo was the China General Manager in Shanghai, People's Republic of China, for INVISTA. He has been a director of the Company since April 2007, and is a member of the Company's Corporate Governance and Nominating Committee and Compensation Committee.

GEORGE R. PERKINS, JR., (68) *Mr. Perkins is the Chairman of the Board and Chief Executive Officer of Frontier Spinning Mills, Inc., a company that he founded in 1996.* Prior to founding Frontier, Mr. Perkins served from 1993 to 1996 as President of the spun yarns division of the Company and was a member of the Board. Mr. Perkins is a director of First Bancorp. He has currently been a director of the Company since August 2007, and is a member of the Company's Compensation Committee.

WILLIAM M. SAMS, (70) *Mr. Sams was the President and Chief Investment Officer of FPA Paramount Fund, Inc., as well as the Executive Vice President of both First Pacific Advisors, Inc. and FPA Perennial Fund, Inc. from 1981 until he retired in 2000.* Mr. Sams is a director of America's Car-Mart, Inc. He has been a director of the Company and has served as the independent Lead Director of the Board since April 2007, and is a member of the Company's Corporate Governance and Nominating Committee, Audit Committee and Compensation Committee (Chair).

G. ALFRED WEBSTER, (60) *Mr. Webster was an Executive Vice President of the Company, and had been an officer of the Company from 1979 through his retirement in 2003, and a director from 1986 until October 2004.* Mr. Webster is a director of New Bridge Bank Corporation (formerly Lexington State Bank). He has been a director of the Company since August 2007, and is a member of the Company's Corporate Governance and Nominating Committee, Audit Committee and Executive Committee (Chair).

STEPHEN WENER, (65) *Mr. Wener has served as the President and Chief Executive Officer of Dillon since 1980.* The Dillon polyester and nylon texturing operations were purchased by the Company on January 1, 2007. He has also been Executive Vice President of American Drawtech Company, Inc. since 1992 and is a director of Titan Textile

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Canada, Inc. He has been a director of the Company since May 2007 and served as acting Chief Executive Officer of the Company from August 1, 2007 through September 26, 2007. Since August 1, 2007, Mr. Wener has served as the Chairman of the Board of Directors and is a member of the Company's Executive Committee.

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

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

**REPORT OF THE COMPENSATION COMMITTEE
ON EXECUTIVE COMPENSATION**

The following is a report of the Compensation Committee describing the compensation policies applicable to the Company's executive officers during the fiscal year ended June 29, 2008. The current members of the Compensation Committee are William M. Sams, who is the Committee Chair, William J. Armfield, IV, Chiu Cheng Anthony Loo and George R. Perkins, Jr. All of the members of the Compensation Committee are independent.

Compensation Discussion and Analysis

The Compensation Committee has reviewed and discussed the Company's Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's definitive Proxy Statement on Schedule 14A for its 2008 Annual Meeting, which is incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2008, each as filed with the SEC.

Submitted by the Compensation Committee of the Board:

William M. Sams, Chairman
William J. Armfield, IV
Chiu Cheng Anthony Loo
George R. Perkins, Jr.

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COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy, Principles and Policies

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

In establishing compensation for the named executive officers (the NEOs) the following are the Compensation Committee's objectives:

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

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

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

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

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

Table of Contents**Overview of Compensation Components**

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

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

The annual and long-term incentive portions of the executive's compensation are intended to achieve the Compensation Committee's goal of aligning the executive's interests with those of the Shareholders and with Company performance. These portions of an executive's compensation are placed at risk and are linked to the accomplishment of specific results that are designed to benefit the Shareholders and the Company, both in the long and short term. As a result, during years of excellent performance, the executives are provided the opportunity to earn a higher level of compensation and, conversely, in years of below average performance, their compensation will be limited to their base

compensation levels. Finally, the annual and long-term incentive portions of the executive's compensation are designed to achieve the Compensation Committee's goal of attracting and retaining high caliber, experienced executives, through vesting schedules and deferred benefits. The Compensation Committee believes that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the overall objectives of the Company's executive compensation program.

Operation of the Compensation Committee

As described elsewhere in this Proxy Statement, the Compensation Committee is responsible for the administration and overall structure of the Company's executive compensation program. The Compensation Committee was

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composed of four independent directors during fiscal 2008, in accordance with the independence requirements of the NYSE Corporate Governance Standards. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of each NEO, evaluates each NEO's performance in light of these goals and objectives with input from the Company's Chief Executive Officer (CEO) and Chairman, and sets each NEO's compensation level based on this evaluation and consultation. The Compensation Committee also advises senior management with respect to the range of compensation to be paid to other employees of the Company, administering and making recommendations to the Board of Directors concerning benefit plans for the Company's directors, officers and employees and recommending benefit programs and future objectives and goals for the Company. For more information on the operation of the Compensation Committee, please refer to Committees of the Board of Directors.

Elements of Compensation

Base Salaries

NEOs' base salaries are determined based on the historical practices of the Company, the officer's leadership and advancement of the Company's long term strategy, plans and objectives, individual performance and contribution to the Company's success, budget guidelines and assessment of the Company's financial condition. It is the intent of the Compensation Committee to maintain a close relationship between the Company's performance and the base salary component of the compensation for each NEO. No formula based salary increases were provided to the NEOs during fiscal 2008.

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

For fiscal 2008, Mr. Jasper's base salary was \$450,000, an increase from his fiscal 2007 base salary of 91% to reflect the increased responsibilities of Mr. Jasper's new position as President and CEO. Mr. Smith's base salary was \$250,000, an increase of 43% to reflect the increased responsibilities of his new position as Chief Financial Officer (CFO). The base salary for the other NEOs, other than Mr. Caudle, were increased to reflect merit-based increases and the increased responsibilities of new positions for certain NEOs based upon the recommendation of the CEO from fiscal 2007 by approximately 63% for Mr. Berrier and 11% for Mr. McCoy.

At their July 2008 meeting, the Compensation Committee approved increases in the base salaries for certain of the NEOs. The Compensation Committee based these increases on many factors including the market data prepared by the compensation consultant and upon the recommendation of the CEO. For fiscal 2009, Mr. Jasper's base salary is \$635,000, an increase from his fiscal 2008 base salary of 41% and for Mr. Smith, his base salary is \$325,000, an increase from his fiscal 2008 base salary of 30%. The base salaries for each of Messrs. Berrier and McCoy were increased by 11% and 10%, respectively. Please see Compensation Discussion for Fiscal 2009 below for further information.

To retain and motivate key individuals, the Compensation Committee may, in the future, determine that it is in the best interests of the Company to negotiate total compensation packages with the Company's senior executive management that may deviate from the Company's current practices.

Annual Incentive Compensation

The Company structures its annual incentive compensation, in the form of a bonus, to reward its NEOs based on the Company's fiscal year performance. All NEOs are eligible to earn a bonus which is a predetermined percentage of their base salary (called target bonus). These targets are set by the Compensation Committee and are specific to each NEO, and have a minimum (threshold) achievement level. For fiscal 2008, the Compensation Committee established a target of \$62 million of annual EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). The NEOs target bonus was based entirely on the Company's achievement of its targeted EBITDA. The Company's EBITDA is a measure of cash flow generated by the Company's business. The Company's EBITDA represents pre-tax income from continuing operations before net interest expense, depreciation and amortization expense, adjusted to exclude restructuring charges, equity in earnings and losses of unconsolidated affiliates, impairment write-downs, non-cash compensation expense, gains and losses on sales of property, plant and equipment, hedging gains and losses,

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and certain other special charges as determined by the Company's Compensation Committee. The Compensation Committee uses EBITDA as a measure of Company performance because the Compensation Committee believes it provides a clear indicator of cash generation. In setting the target EBITDA for fiscal 2008, the Compensation Committee considered the expected performance of the Company.

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

Each NEO's annual incentive compensation for fiscal 2008 was based entirely upon the Company's achievement of the EBITDA target, and his target bonus was set at 20% of his annual base salary, up to a maximum of 40% of his annual base salary. Each NEO's bonus would be adjusted on a pro rata basis upward or downward, such that an NEO would receive a bonus equal to 40% of his base salary if the Company achieved 120% of its targeted EBITDA, to 20% of his base salary if the Company achieved its EBITDA target. The NEO would not be entitled to a bonus if the Company achieved less than its EBITDA target. As a result of the Company's performance during fiscal 2008, the Company did not meet its EBITDA target.

However, the Compensation Committee determined to award each of the NEOs a bonus equal to 50% of such NEO's fiscal 2008 base salary. The Compensation Committee considered the Company's improving financial results relative to the difficult economic climate during the past fiscal year, which included a significant economic slowdown in the United States, higher than expected raw material prices, freight costs, and energy costs, and in light of these factors, determined that bonus compensation was merited.

At its meeting in July 2008, the Compensation Committee set the Company's EBITDA target for fiscal 2009 at \$60 million, and set each NEO's target bonus at 50% of his annual base salary. If the Company achieved its EBITDA target, then the NEOs would be entitled to their target bonus. Furthermore, each NEO's bonus would be adjusted on a pro rata basis upward or downward, such that a NEO would receive a bonus equal to 100% of his base salary if the Company achieved 120% of its targeted EBITDA, to 25% of his base salary if the Company achieved 80% of its targeted EBITDA. The NEO would not be entitled to a bonus if the Company achieved less than 80% of its EBITDA target. Please see "Compensation Discussion for Fiscal 2009" below for further information.

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

Long-Term Incentive Compensation

Equity Incentives

The Compensation Committee believes that stock-based performance compensation is essential in aligning the interests of management and the Shareholders in enhancing the long-term value of the Company's equity. The 1999 Unifi, Inc. Long-term Incentive Plan (the "1999 Plan") provides for the issuance to the Company's officers and employees of shares of incentive stock options, non-qualified stock options, restricted stock awards and

performance-based awards for the Company's Common Stock. These awards are granted to the Company's executive officers and other employees both to build the value of the Company, and to retain key individuals. Stock options provide incentive for the creation of Shareholder value over the long term since the full benefit of an executive officer's compensation package cannot be realized unless the Common Stock appreciates in value during the term of the option. Unless otherwise provided, options which have vested may be exercised prior to the earlier of (i) ten (10) years from the date of grant or (ii) upon the termination of employment of the participant other than by death, disability, retirement, or change of control. Restricted stock is granted from time to time to executive officers, primarily for purposes of retention. Restricted stock is subject to forfeiture and may not be disposed of by the recipient until certain restrictions established by the Compensation Committee have lapsed. Generally the Compensation Committee believes that

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granting stock options can be an effective tool for meeting the Company's compensation goal of increasing long-term Shareholder value by tying the value of the executive's performance compensation to the Company's Common Stock performance. Employees are able to profit from stock options only if the Company's stock price increases in value over the stock option's exercise price. Recipients of restricted stock are not required to provide consideration other than the rendering of their services.

In July 2006, the Compensation Committee established a policy providing for the grant of an annual stock option to the NEOs. The purpose of the annual grant of stock options to the NEOs is to provide the NEOs with additional incentives to remain with the Company. At its October 2007 meeting, the Compensation Committee approved a grant of options to the NEOs. The Compensation Committee based the number of shares which were granted to each NEO, other than the CEO, primarily upon the recommendation of the CEO.

The Board has approved the 2008 Unifi, Inc. Long-Term Incentive Plan, subject to approval by the Shareholders, which the Company will use to grant shares of incentive stock options, non-qualified stock options, restricted stock awards and performance-based awards for the Company's Common Stock to the Company's officers and employees. If the 2008 Unifi, Inc. Long-Term Incentive Plan is approved by the Shareholders, then the Company will begin to issue stock-based performance compensation to the Company's officers and employees. The terms of the 2008 Unifi, Inc. Long-Term Incentive Plan are set forth in Proposal 2 hereto.

Supplemental Key Employee Retirement Plan

In July 2006, the Company established an unfunded supplemental retirement plan known as the Unifi, Inc. Supplemental Key Employee Retirement Plan (the Plan) for a select group of management employees (including the CEO and the other NEOs). Participants in the Plan are those employees of the Company or its subsidiaries who are determined to be participants in the Plan by the Compensation Committee in its sole and exclusive discretion. The Company established the Plan in order to provide certain management employees additional compensation benefits in order to further incentivize them and to provide better retention opportunities.

The Plan provides for an initial credit to each participant's account equal to three (3) times the product of the participant's base salary for the 2005 calendar year multiplied by the participant's SERP Credit Percentage (81/2% of the annual base salary for executive officers of the Company and 51/2% of the annual base salary for participants who are not executive officers of the Company). Thereafter, as of the end of each calendar year, each participant's account shall be credited with an amount equal to the product of such participant's base salary for such calendar year multiplied by the participant's applicable SERP Credit Percentage. Each participant's account will be adjusted as if the balance in such account had been invested in the stocks that make up the Standard & Poor's 500 Index in the same proportion as their respective weighting therein. Upon a participant's termination of employment with the Company, the participant shall be entitled to receive the amount credited to such participant's account in a single lump sum payable six months after the participant's termination of employment with the Company, except in the event that the participant's termination is due to death or disability, in which case the participant or the participant's designated beneficiary, as applicable, shall immediately be entitled to such payout.

Perquisites and Other Benefits

Automobile Allowance. The Company provided to certain employees an automobile allowance during fiscal 2008. During fiscal 2008, the Company paid its NEOs approximately \$7,150 in automobile allowance. The Company also reimbursed its NEOs for certain automobile expenses during fiscal 2008. The Company provides these benefits to the NEOs because the Compensation Committee believes that these benefits are common among executive officers at similarly situated companies, and thus are an essential element in providing the NEOs with a competitive compensation package.

Retirement Benefits. In order to provide employees at all levels with greater incentive, the Company makes available to all employees, including the NEOs, the opportunity to make contributions to the Company's Retirement Savings Plan (401K Plan), under which employees may elect to defer up to 75% of their total compensation, not to exceed the amount allowed by applicable Internal Revenue Service regulations. Pursuant to the 401K Plan the Company matches contributions equal to 100% of the employee's first 3% of compensation contributed to the 401K Plan and 50% of the next 2% of compensation contributed to the 401K Plan.

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Health Plan, Life Insurance and Other Benefits. The Company makes available health and insurance benefits to all employees, including the NEOs. The cost of the health plans is covered partially through employees' payroll deductions, with the remainder covered by the Company. Disability and life insurance benefits are paid by the Company for all salaried employees. In fiscal 2008, the cost of certain golf and social club memberships was covered for NEOs, provided that the club membership provides for a business-use opportunity such as use of the facilities for functions and meetings, and client networking and entertainment. On very limited occasions, spousal travel in connection with a business-related event is also a covered expense. This is limited to events sponsored for the purpose of building customer or employee relationships where the travel is for an extended period of time or extends into the personal time of the executive, or it is expected or customary for the executive to be accompanied by a spouse. Other perquisites such as income tax preparation, temporary housing, and moving and relocation costs are provided from time to time.

Change of Control Agreements. The Company entered into Change of Control Agreements with Messrs. Caudle, and McCoy on November 1, 2005, with Messrs. Berrier and Jasper on July 25, 2006, and with Mr. Smith on February 21, 2008 (each, an "Officer"). The agreements provide that if an Officer's employment is terminated involuntarily, other than by death or disability or cause, or voluntarily, other than for good reason, after a change of control of the Company, such Officer will receive certain benefits. The present value of those benefits will be 2.99 times the average of such Officer's annual compensation paid during the five (5) calendar years (or the period of such Officer's employment with the Company if such Officer has been employed with the Company for less than five calendar years) preceding the change of control of the Company, subject to being reduced to the largest amount which will result in no portion of the payment being subject to excise taxes under the Internal Revenue Code, all as determined by the Company's independent certified public accountants, whose decision shall be binding upon the Company and such Officer. These benefits will be paid to such Officer in equal installments over a twenty-four (24) month period. To be entitled to payments upon such a change of control, (a) the Officer's employment must be terminated other than for cause, or (b) the Officer must terminate his employment for good reason, in either case within two years following the change of control.

For purposes of the agreements, a change of control is deemed to occur if, among other things, (i) there shall be consummated any consolidation or merger of the Company or the sale of all or substantially all of the assets of the Company, (ii) the Shareholders of the Company have approved any plan or proposal for the liquidation or dissolution of the Company, (iii) any person acquires twenty percent (20%) or more of the outstanding voting stock of the Company, or (iv) if there is a change in the majority of directors under specified conditions within a two (2) year period. The benefits under these Change of Control Agreements are contingent and therefore not reported under the Summary Compensation Table.

Pursuant to their terms, each of the Change of Control Agreements with the NEOs will expire in November 2008.

Termination and Severance Agreements. During fiscal 2008, the Company terminated the employment of Brian R. Parke. Pursuant to the terms of an Employment Agreement between the Company and Mr. Parke, and as a result of his termination, Mr. Parke was entitled to receive an aggregate of \$2,312,500, representing three years of his then-current base salary, together with additional compensation equal to thirty days of his then-current base salary in lieu of the thirty days' prior written notice of termination provided in the Employment Agreement (the "Cash Compensation"). The Cash Compensation is payable in thirty-seven equal monthly installments, less appropriate deductions, including state and federal taxes. In addition to the Cash Compensation, (1) all current unexercised, non-vested options to purchase the Company's Common Stock previously granted to Mr. Parke have become fully vested and will remain exercisable through the end of their original terms; (2) for a period of three years following his termination date, August 1, 2007, Mr. Parke and his eligible family members are entitled to certain medical and insurance benefits equal to those provided to him during his employment; (3) Mr. Parke would receive all accrued benefits under the Company's Supplemental Key Employee Retirement Plan; and (4) Mr. Parke was entitled to the payment by the Company of all

reasonable costs in connection with his eventual relocation to his native country of Ireland, which costs will be grossed up for applicable taxes. The confidentiality and non-competition provisions of the Employment Agreement survive the termination of the Employment Agreement for five years and three years, respectively.

The Company entered into a Severance Agreement (the "Severance Agreement") with Mr. Lowe in October, 2007, which provides for the termination of Mr. Lowe's employment with the Company. Pursuant to the Severance Agreement Mr. Lowe's last day of employment was October 1, 2007 (the "Separation Date"). The Severance Agreement was 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,

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in seventy-eight (78) equal bi-weekly installments, (ii) Mr. Lowe continued to receive medical and dental coverage from the Company 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 Company 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 Company's confidential information, (iii) fully release the Company, and its subsidiaries and affiliate companies from all claims, and (iv) provide continued cooperation and assistance to the Company following the Separation Date. On August 1, 2008 Mr. Lowe informed the Company that he no longer required medical and dental coverage from the Company.

Tax Impact on Compensation

The Compensation Committee has considered the impact of Section 162(m) of the Internal Revenue Code on the Company's executive compensation program. Section 162(m) denies a public company a deduction, except in limited circumstances, for compensation paid to covered employees, i.e., those employees named in the Summary Compensation Table below, to the extent such compensation exceeds \$1,000,000. Based on its review of the likely impact of Section 162(m), the Compensation Committee may in the future recommend changes to the Company's benefit plans in order to qualify compensation paid to covered employees for such exception.

Compensation Discussion for Fiscal 2009

In order to provide recommendations to the Compensation Committee concerning competitive ranges of all components of NEO compensation for fiscal 2009, the Company's management engaged a compensation consultant, Towers Perrin, to prepare information concerning the market for executive compensation and compare the Company's executive compensation program against that market.

The compensation consultant prepared compensation data from multiple survey sources, reflective of general industry pay levels for companies of similar size, including the 25th, 50th and 75th percentile market pay data for each of the NEOs. For fiscal 2009, these survey sources are the Towers Perrin CDB Executive Compensation Database, the Watson Wyatt Worldwide 2007/2008 Top Management Compensation Calculator and the Mercer 2007 Executive Benchmark Database Survey.

The Compensation Committee did not seek to set executive compensation at or near any particular percentile, and considers total compensation to be competitive if it is within the band of the 25th to 75th percentiles. Market data is only one of many factors that the Committee considered in the determination of executive compensation levels. Other factors include the historical practices of the Company, the officer's leadership and advancement of the Company's long term strategy, plans and objectives, individual performance and contribution to the Company's success, budget guidelines and assessment of the Company's financial condition.

Table of Contents**EXECUTIVE OFFICERS AND THEIR COMPENSATION****Summary Compensation Table**

The following table sets forth a summary of all compensation awarded or paid to or earned by the Company's NEOs for services rendered in all capacities to the Company (including its subsidiaries) for the fiscal year ended June 29, 2008. Included in the table below are Brian R. Parke and William M. Lowe, Jr. who each ceased to be employed by the Company during the fiscal year ended June 29, 2008. Messrs. Parke and Lowe were the Company's former CEO and CFO, respectively. In addition, Stephen Wener is included in the table below because he served as the acting CEO during part of the fiscal year ended June 29, 2008.

<i>Name and Principal Position</i> <i>(a)</i>	<i>Year</i> <i>(b)</i>	<i>Salary</i> <i>(\$)</i> <i>(c)</i>	<i>Bonus</i> <i>(\$)</i> <i>(d)</i>	<i>Stock Awards</i> <i>(\$)(1)</i> <i>(e)</i>	<i>Option Awards</i> <i>(\$)(2)</i> <i>(f)</i>	<i>Change in Pension Value and Non-Qualified Non-Equity Deferred Compensation</i>			<i>All Other Compensation</i> <i>(\$)</i> <i>(i)</i>	<i>Total</i> <i>(\$)</i> <i>(j)</i>
						<i>(\$)(3)</i> <i>(g)</i>	<i>(h)</i>	<i>(i)</i>		
William L. Jasper President and Chief Executive Officer	2008	392,118	225,000		243,914				50,743	911,775
	2007	235,008	18,801		173,020				94,580	521,409
Ronald L. Smith, Vice President and Chief Financial Officer(4)	2008	228,731	125,000		89,417				33,244	476,392
R. Roger Berrier, Jr. Executive Vice President, Sales(4)	2008	291,347	162,500		161,452				43,382	658,681
Thomas H. Caudle, Jr. Vice President, Global Operations	2008	260,004	130,002		44,642				47,944	482,592
	2007	260,004	20,800		87,479				121,187	489,470
Charles F. Mccoy Vice President, Secretary and General Counsel	2008	243,269	125,000		44,642				40,115	453,026
	2007	225,000	18,000		87,479				98,648	429,127
Brian R. Parke Former President, Chief	2008	144,231							647,741	791,972
	2007	750,000			510,000				360,950	1,620,950

Executive Officer and
Chairman of the Board(5)

William M. Lowe, Jr.	2008	148,079	10,680	35,416	423,019	617,194
Former Vice President,	2007	550,008	9,240	134,584	235,007	928,839

Chief Operating Officer and
Chief Financial Officer(6)

Stephen Wener	2008					
Former Chief Executive Officer and Current Chairman of the Board(7)						

- (1) On January 6, 2004, the Company granted Mr. Lowe 20,000 restricted shares. The closing price of the Common Stock as reported on the NYSE was \$6.51 per share on that date. Pursuant to the terms of this grant, Mr. Lowe receives the same cash dividends as other Shareholders owning Common Stock. The restrictions imposed on the restricted shares lapsed with respect to one-fifth of the shares on January 6th each year, beginning with the year the shares were granted. Pursuant to his Severance Agreement, the restrictions on the remaining 4,000 shares of Mr. Lowe's unvested restricted shares were released on October 1, 2007.
- (2) Amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended June 29, 2008, in accordance with SFAS 123R, related to options granted in fiscal 2008 as well as prior fiscal years. The fair value of the options is being expensed over derived service periods that range from 2.4 to 3.9 years. For the awards presented above, the estimated forfeiture rate has been disregarded. Options were granted on October 24, 2007, with an exercise price of \$2.72 per share. The exercise price represented the average of the high and low market prices on the date of grant. The options issued on October 24, 2007 are exercisable on the date the closing price of the stock shall have been at least \$6.00 per share for thirty (30) consecutive trading days.

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(3) All other compensation for each of the NEOs consists of the following:

	<i>William L. Jasper</i>	<i>Ronald L. Smith</i>	<i>R. Roger Berrier, Jr.</i>	<i>Thomas H. Caudle, Jr.</i>	<i>Charles F. McCoy</i>	<i>Brian R. Parke</i>	<i>William M. Lowe, Jr.</i>	<i>Stephen Wener</i>
Automobile Allowance	7,154	7,154	7,154	7,154	7,154	2,308	2,308	
Auto Expenses	4,979	3,293	5,134	5,332	3,738	732	3,953	
Country Club Dues		1,934		3,389		14,428	13,845	
Spousal Travel						4,094		
Health Insurance						5,030		
Housing Allowance(a)						12,934		
Life Insurance	1,357	203	262	1,089	228	2,446	990	
Matching 401(k)								
Contributions	13,060	4,575	11,380	8,880	9,380			
Contributions to Supplemental Key Employee Retirement Plan	24,193	16,085	19,452	22,100	19,615			
Severance						605,769	401,923	
Total	50,743	33,244	43,382	47,944	40,115	647,741	423,019	

- (a) During the term of his employment, the Housing Allowance for Mr. Parke provided for the maintenance and upkeep of his residence in Ireland, while he and his family resided in the United States.
- (4) Messrs. Berrier and Smith were not NEOs during fiscal 2007. Therefore no compensation information for fiscal 2007 appears in the Summary Compensation Table for these individuals.
- (5) Mr. Parke's employment as the Chairman, President and Chief Executive Officer of the Company was terminated by the Company on August 1, 2007.
- (6) Mr. Lowe's employment as the Company's Vice President, Chief Operating Officer and Chief Financial Officer was terminated on October 1, 2007.
- (7) Mr. Wener served as the acting CEO during part of the fiscal 2008, but received no compensation for serving in such capacity. Mr. Wener did receive compensation for serving as a director. See the Directors Compensation table below.

Grants of Plan Based Awards

The following table provides information concerning the annual performance bonus and long-term incentive awards made to each of the NEOs in fiscal 2008.

All Other

<i>Name</i> <i>(a)</i>	<i>Grant</i> <i>Date</i> <i>(b)</i>	<i>Stock</i> <i>Awards:</i> <i>Number</i> <i>of Securities</i> <i>Underlying</i> <i>Options</i> <i>(#)</i> <i>(j)</i>	<i>Exercise</i> <i>or Base</i> <i>Price of</i> <i>Option</i> <i>Awards</i> <i>(\$)/Sh</i> <i>(k)</i>	<i>Grant Date</i> <i>Fair Value</i> <i>of Stock</i> <i>and Option</i> <i>Awards</i> <i>(\$)</i> <i>(l)</i>
William L. Jasper(1)	10/24/2007	400,000	2.72	1,088,000
Ronald L. Smith(1)	10/24/2007	150,000	2.72	408,000
Thomas H. Caudle, Jr.(1)	10/24/2007	50,000	2.72	136,000
Charles F. McCoy(1)	10/24/2007	50,000	2.72	136,000
R. Roger Berrier, Jr.(1)	10/24/2007	300,000	2.72	816,000
Brian R. Parke				
William M. Lowe, Jr.				
Stephen Wener(2)	10/24/2007	20,000	2.72	54,400

- (1) The options granted had a vesting schedule such that the shares would vest only if prior to the expiration date, the closing price of the Company's Common Stock as listed on the NYSE was at least \$6.00 per share for 30 consecutive trading days.
- (2) The options granted had a vesting schedule such that the shares would vest only as to (i) 10,000 shares if prior to the expiration date, the closing price of the Company's Common Stock as listed on the NYSE was at least \$8.00 per share for 30 consecutive trading days, and (ii) 10,000 shares if prior to the expiration date, the closing price of the Company's Common Stock as listed on the NYSE was at least \$10.00 per share for 30 consecutive trading days.

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The following table provides information concerning the unexercised stock options outstanding and unvested stock awards for each of the NEOs of the Company as of the end of fiscal 2008.

Outstanding Equity Awards at Fiscal Year-End for 2008

<i>Name</i>	<i>Option Awards</i>				<i>Stock Awards</i>	
	<i>Number of Securities Underlying Unexercised Options (#) Exercisable (b)</i>	<i>Number of Securities Underlying Unexercised Options (#) Unexercisable (c)</i>	<i>Option Exercise Price (\$)(e)</i>	<i>Option Expiration Date (f)</i>	<i>Number of Shares or Units of Stock That Have Not Vested (g)</i>	<i>Market Value of Shares or Units of Stock That Have Not Vested (\$)(h)</i>
William L. Jasper	100,000	0	3.40	4/19/2016		
	43,335	21,665	2.89	7/26/2016		
	0	400,000	2.72	10/24/2017		
Ronald L. Smith	3,000	0	16.31	10/22/2008		
	5,833	0	11.19	10/21/2009		
	5,833	0	11.86	10/21/2009		
	5,832	0	12.53	10/21/2009		
	10,000	0	7.48	10/2/2011		
	5,000	0	7.33	1/23/2012		
	50,000	0	2.76	7/1/2014		
	33,335	16,665	2.89	7/26/2016		
	0	150,000	2.72	10/24/2017		
Thomas H. Caudle, Jr.	2,500	0	16.31	10/22/2008		
	13,408	0	11.19	10/21/2009		
	13,408	0	11.86	10/21/2009		
	13,408	0	12.53	10/21/2009		
	15,000	0	7.48	10/2/2011		
	50,000	0	7.33	1/23/2012		
	120,000	0	2.76	7/1/2014		
	43,335	21,665	2.89	7/26/2016		
	0	50,000	2.72	10/24/2017		
Charles F. McCoy	13,408	0	11.19	10/21/2009		
	13,408	0	11.86	10/21/2009		

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	13,408	0	12.53	10/21/2009
	15,000	0	7.48	10/2/2011
	50,000	0	7.33	1/23/2012
	100,000	0	2.76	7/1/2014
	43,335	21,665	2.89	7/26/2016
	0	50,000	2.72	10/24/2017
R. Roger Berrier, Jr.	2,500	0	16.31	10/22/2008
	4,358	0	11.19	10/21/2009
	4,358	0	11.86	10/21/2009
	4,358	0	12.53	10/21/2009
	10,000	0	7.48	10/2/2011
	5,000	0	7.33	1/23/2012
	50,000	0	2.76	7/1/2014
	50,000	0	3.40	4/19/2016
	43,335	21,665	2.89	7/26/2016
	0	300,000	2.72	10/24/2017

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<i>Name</i> <i>(a)</i>	<i>Option Awards</i>				<i>Stock Awards</i>	
	<i>Number of</i>	<i>Number of</i>	<i>Option</i>	<i>Option</i>	<i>Number</i>	<i>Market</i>
	<i>Securities</i>	<i>Securities</i>			<i>of</i>	<i>Value</i>
	<i>Underlying</i>	<i>Underlying</i>	<i>Exercise</i>	<i>Expiration</i>	<i>Units of</i>	<i>of Shares or</i>
<i>Unexercised</i>	<i>Unexercised</i>	<i>Price</i>	<i>Date</i>	<i>Stock</i>	<i>Stock</i>	
	<i>Options</i>	<i>Options</i>	<i>(\$)</i>	<i>That</i>	<i>That</i>	
	<i>(#)</i>	<i>(#)</i>	<i>(e)</i>	<i>Have</i>	<i>Not</i>	
	<i>Exercisable</i>	<i>Unexercisable</i>		<i>Not</i>	<i>Vested</i>	
	<i>(b)</i>	<i>(c)</i>		<i>Vested</i>	<i>(#)</i>	
				<i>(\$)</i>	<i>(g)</i>	
				<i>(h)</i>		
Brian R. Parke	15,000	0	16.31	10/22/2008		
	50,000	0	18.75	1/21/2009		
	89,387	0	11.19	10/21/2009		
	89,386	0	11.86	10/21/2009		
	89,386	0	12.53	10/21/2009		
	250,000	0	7.33	1/23/2012		
	578,300	0	2.76	7/1/2014		
	300,000	0	2.89	7/26/2016		
William M. Lowe, Jr.	6,667	0	6.46	1/6/2014		
	6,667	0	6.85	1/6/2014		
	6,666	0	7.24	1/6/2014		
	300,000	0	2.76	7/1/2014		
	100,000	0	2.89	7/26/2016		
Stephen Wener	0	20,000	2.72	10/24/2017		

Options Exercised and Stock Vested

The following table provides information concerning the exercises of stock options and vesting of stock awards during fiscal 2008 on an aggregated basis for each of the NEOs of the Company.

Option Exercises and Stock Vested for 2008

<i>Name</i> <i>(a)</i>	<i>Option Awards</i>		<i>Stock Awards</i>	
	<i>Number</i>	<i>Value</i>	<i>Number</i>	<i>Value</i>
	<i>of</i>		<i>of</i>	
	<i>Shares</i>	<i>Realized</i>	<i>Shares</i>	<i>Realized</i>
<i>Acquired</i>	<i>on Exercise</i>	<i>Acquired</i>	<i>on Vesting</i>	
<i>on</i>	<i>(\$)(1)</i>	<i>on</i>	<i>(\$)(2)</i>	
<i>Exercise</i>	<i>(#)</i>	<i>(#)</i>	<i>(#)</i>	
<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(e)</i>	

William L. Jasper				
Ronald L. Smith				
Thomas H. Caudle, Jr.				
Charles F. McCoy				
R. Roger Berrier, Jr.				
Brian R. Parke	21,700	3,798		
William M. Lowe, Jr.			4,000	10,680
Stephen Wener				

- (1) The value realized represents the number of shares exercised multiplied by the difference between the average market price (average of the high and low price) on the day of exercise and the exercise price.
- (2) The value realized represents the number of shares acquired on vesting multiplied by the average market price (average of the high and low price) on the day of vesting.

Table of Contents**Non-Qualified Deferred Compensation**

The following table provides information with respect to the Company's defined contribution and non-tax-qualified compensation deferral plans for each of the Company's NEOs. For a description of the material terms of the Company's Supplemental Key Employee Retirement Plan (SERP), see Compensation Discussion & Analysis - Elements of Compensation - Long Term Incentive Compensation.

<i>Non-Qualified Deferred Compensation for Fiscal Year 2008</i>					
<i>Executive</i>	<i>Registrant</i>	<i>Aggregate</i>	<i>Aggregate</i>	<i>Aggregate</i>	
<i>Contributions</i>	<i>Contributions</i>	<i>Earnings</i>	<i>Withdrawals</i>	<i>Balance at</i>	
<i>in Last</i>	<i>in Last</i>	<i>(Loss)</i>	<i>and/or</i>	<i>Last Fiscal</i>	
<i>Fiscal</i>	<i>Fiscal</i>	<i>Fiscal</i>	<i>Distributions</i>	<i>Year End</i>	
<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>(Loss)</i>	<i>(Loss)</i>	<i>(Loss)</i>
<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(e)</i>	<i>(f)</i>
William L. Jasper	24,193	(13,491)			90,542
Ronald L. Smith	16,085	(7,402)			49,924
Thomas H. Caudle, Jr.	22,100	(15,398)			102,854
Charles F. McCoy	19,615	(13,324)			89,045
R. Roger Berrier, Jr.	19,452	(10,647)			71,489
Brian R. Parke		(29,366)	257,710		
William M. Lowe, Jr.		(15,710)	194,816		
Stephen Wener					

Potential Payments Upon Termination or Change in Control

Accrued and Vested Benefits. Each of the NEOs has accrued various benefits under the Company's compensation programs and retirement and other broad-based employee benefit plans. Many of these benefits and awards are fully vested and each of the NEOs would receive all of their vested benefits and awards in the event that their employment with the Company ends for any reason, including termination by the Company for cause or resignation without good reason. Cause generally means a termination on the basis of fraud, misappropriation or embezzlement on the part of the NEO or malfeasance or misfeasance by the NEO in performing the duties of his office, as determined by the Board. Good Reason generally means a material reduction in the officer's duties or a change in title resulting in reduction of the officer's duties, a material reduction in salary or bonus, the termination of or taking any action which would adversely affect any benefit plan, option plan or other compensation arrangement which an NEO participates in, the reduction of the number of vacation days, or the relocation of the officer to an area farther than a specified distance from their primary employment location. In the event of termination for Cause or Good Reason, each of the NEOs is entitled only to receive all earned but unpaid base salary, unreimbursed expenses and/or accrued, vested equity awards and vested 401(k) and SERP benefits through the effective date of the termination.

As previously disclosed Messrs. Parke's and Lowe's employment with the Company was terminated in August and October, 2008, respectively.

The table below summarizes the accrued and vested benefits that each of the NEOs would be entitled to, assuming they left the Company on June 29, 2008.

Accrued and Vested Benefits

	<i>William L. Jasper</i>	<i>Ronald L. Smith</i>	<i>Thomas H. Caudle, Jr.</i>	<i>Charles F. McCoy</i>	<i>R. Roger Berrier, Jr.</i>
Vested Deferred Compensation Balance	\$ 90,542	49,924	102,854	89,045	71,489
Total	\$ 90,542	49,924	102,854	89,045	71,489

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Termination Following a Change in Control. The table below summarizes the incremental benefits (beyond the accrued and vested benefits) that each of the NEOs would be entitled to, assuming their termination or resignation for Good Reason following a change in control occurred on June 29, 2008.

Termination or Resignation For Good Reason Following a Change in Control

	<i>William L. Jasper</i>	<i>Ronald L. Smith</i>	<i>Thomas H. Caudle, Jr.</i>	<i>Charles F. McCoy</i>	<i>R. Roger Berrier, Jr.</i>
Severance/salary(1)	\$ 1,235,058	755,321	1,105,074	951,652	876,319
Total	\$ 1,235,058	755,321	1,105,074	951,652	876,319

(1) For the NEOs the severance payment upon a termination or resignation for Good Reason following a change in control is based on the NEO's aggregate annual compensation which includes but is not limited to the NEO's salary, bonus, economic benefit of life insurance, automobile allowance and expenses, deferred compensation and imputed income related to country club dues.

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**BENEFICIAL OWNERSHIP OF COMMON STOCK
BY DIRECTORS AND EXECUTIVE OFFICERS**

The following table presents information regarding the beneficial ownership of the Common Stock, within the meaning of applicable securities regulations, of all current directors of the Company and each of the NEOs in the Summary Compensation Table included herein, and of all current directors and executive officers of the Company as a group, as of September 5, 2008.

<i>Name</i>	<i>Amount and Nature of Beneficial Ownership(1)</i>	<i>Percentage of Class</i>
William J. Armfield, IV(2)	877,515	1.42%
R. Roger Berrier, Jr.(3)	519,568	*
Thomas H. Caudle, Jr.(4)	347,644	*
Archibald Cox, Jr.	100,000	*
William L. Jasper(5)	570,000	*
Kenneth G. Langone(6)	3,017,900	4.90%
Chiu Cheng Anthony Loo		*
William M. Lowe, Jr.(7)	420,000	*
Charles F. McCoy(8)	306,563	*
Brian R. Parke(9)	593,159	*
George R. Perkins, Jr.(10)	958,644	1.56%
William M. Sams(11)	4,520,000	7.34%
Ronald L. Smith(12)	285,498	*
G. Alfred Webster(13)	120,000	*
Stephen Wener(14)	5,688,205	9.23%
All directors and executive officers as a group (13 persons)	17,311,537	27.18%

* Represents less than one percent (1%) of the Common Stock.

- (1) All shares are owned directly and with sole voting and investment power, except as otherwise noted. The information presented in this table was based upon Company information, information furnished to the Company by the named persons and information contained in filings with the SEC.
- (2) Includes 10,000 shares that Mr. Armfield would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Armfield would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.
- (3) Includes 195,574 shares that Mr. Berrier has the right to purchase pursuant to stock options that are currently exercisable or become exercisable within 60 days of September 5, 2008, and 300,000 that Mr. Berrier would

have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$6.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition, and 23,994 shares that Mr. Berrier owns jointly with his wife, and together they share voting and investment power.

- (4) Includes 292,724 shares that Mr. Caudle has the right to purchase pursuant to stock options that are currently exercisable or become exercisable within 60 days of September 5, 2008, and 50,000 that Mr. Caudle would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$6.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.
- (5) Includes 165,000 shares that Mr. Jasper has the right to purchase pursuant to stock options that are currently exercisable or become exercisable within 60 days of September 5, 2008, and 400,000 that Mr. Jasper would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$6.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.

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- (6) Includes 10,000 shares that Mr. Langone has the right to purchase pursuant to presently exercisable stock options, as to which he would have sole voting and investment power upon acquisition, 270,000 shares owned by Invemed Associates, LLC, in which Mr. Langone owns an 81% interest, 1,885,000 shares owned by Invemed Catalyst Fund, LLP of which Mr. Langone has shared voting and investment power, 10,000 shares that Mr. Langone would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Langone would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.
- (7) Includes 420,000 shares that Mr. Lowe has the right to purchase pursuant to stock options that are currently exercisable or could become exercisable within 60 days of September 5, 2008, as to which he would have sole voting and investment power upon acquisition.
- (8) Includes 248,559 shares that Mr. McCoy has the right to purchase pursuant to stock options that are currently exercisable or become exercisable within 60 days of September 5, 2007, and 50,000 that Mr. McCoy would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$6.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition, and 1,100 shares jointly owned with his wife as to which he has shared voting and investment power.
- (9) Includes 593,159 shares that Mr. Parke has the right to purchase pursuant to stock options that are currently exercisable or could become exercisable within 60 days of September 5, 2008, as to which he would have sole voting and investment power upon acquisition.
- (10) Includes 10,000 shares that Mr. Perkins would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Perkins would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.
- (11) Includes 200,000 shares owned by Marlin Sams Fund L.P., which Mr. Sams is deemed to be the beneficial owner of, but to which he specifically disclaims ownership of, 10,000 shares that Mr. Sams would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Sams would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.
- (12) Includes 135,498 shares that Mr. Smith has the right to purchase pursuant to stock options that are currently exercisable or become exercisable within 60 days of September 5, 2008, and 150,000 that Mr. Smith would have the right to purchase pursuant to stock options that could become exercisable within 60 days of

September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$6.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.

- (13) Includes 10,000 shares that Mr. Webster would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, 10,000 shares that Mr. Webster would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition and 100,000 shares which Mr. Webster owns jointly with his wife, and together they share voting and investment power.
- (14) Includes 5,555,555 shares owned by Dillon, in which Mr. Wener owns 23% and his wife owns 2%, of which Mr. Wener has shared voting and investment power, and 10,000 shares that Mr. Wener would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$8.00 per share for 30 consecutive days, and 10,000 shares that Mr. Wener would have the right to purchase pursuant to stock options that could become exercisable within 60 days of September 5, 2008, provided that the closing price of the Company's Common Stock as listed on the NYSE shall be at least \$10.00 per share for 30 consecutive days, as to which he would have sole voting and investment power upon acquisition.

Table of Contents**DIRECTORS COMPENSATION**

The following table shows compensation information for the Company's directors for fiscal 2008.

Director Compensation Table

<i>Name</i>	<i>Fees</i>		<i>Options</i>	<i>Non Equity Incentive Plan Compensation</i>	<i>Change in Pension Value and Nonqualified Deferred Compensation</i>		<i>Total</i>
	<i>Earned or Paid Cash</i>	<i>Stock Awards</i>			<i>Earnings</i>	<i>All Other</i>	
<i>(a)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)(1)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(e)</i>	<i>(f)</i>	<i>(g)</i>	<i>(h)</i>
William J. Armfield, IV	15,750		6,518				22,268
R. Roger Berrier, Jr.	1,000						1,000
Archibald Cox, Jr.(2)							
William L. Jasper	1,000						1,000
Kenneth G. Langone	8,000		6,518				14,518
Chiu Cheng Anthony Loo	30,000						30,000
Brian R. Parke(3)	1,000						1,000
George R. Perkins, Jr.	3,000		6,518				9,518
William M. Sams	10,000		6,518				16,518
G. Alfred Webster	68,667		6,518				75,185
Stephen Wener	8,000		6,518				14,518
R. Wiley Bourne, Jr.(3)	11,750						11,750
Charles R. Carter(3)	11,750						11,750
Sue W. Cole(3)	8,000						8,000
J.B. Davis(3)	6,000						6,000
Donald F. Orr(3)	12,750						12,750

(1) Amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended June 29, 2008, in accordance with SFAS 123R, related to options granted in fiscal 2008 as well as prior fiscal years. The fair value of the options is being expensed over derived service periods that range from 2.4 to 3.9 years. For the awards presented above, the estimated forfeiture rate has been disregarded. Options representing 20,000 shares were granted to each outside director, other than Mr. Loo, on October 24, 2007, with an exercise price of \$2.72 per share. The exercise price represented the average of the high and low market prices on the date of grant. Of options issued to each director on October 24, 2007, (i) 10,000 shares are exercisable on the date the closing price of the stock shall have been at least \$8.00 per share for thirty (30) consecutive trading days and (ii) 10,000 shares are exercisable on the date the closing price of the stock shall have been at least \$10.00 per share for thirty (30) consecutive trading days.

(2) Mr. Cox became a director on February 20, 2008.

- (3) Messrs. Parke, Bourne, Carter, Davis, Orr and Ms. Cole resigned from the Board of Directors effective August 1, 2008.

In prior fiscal years, each director, who was not an employee of the Company, was paid an annual retainer of \$24,000 and an additional \$1,000 for each Board meeting attended and for each meeting of Board committees on which they serve when such meeting was held on a day other than a day scheduled for a regular Board meeting. Each such director was also reimbursed for reasonable expenses incurred in attending those meetings. The Chairman of each of the Company's Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee was also paid \$15,000, in addition to their regular directors fees, for serving in that capacity on those committees. Directors who are employees of the Company were paid an attendance fee of \$1,000 for each Board meeting attended. Directors who attend Board or committee meetings via telephone conferencing received attendance fees as if they were physically present at such Board or committee meetings. During the fiscal year ended June 24, 2007, the Board approved the suspension of such director meeting fees for all directors, other than Mr. Loo, effective after the October 2008 Board meeting, until such time as the Board determines to reinstate such fees. The Board also approved an annual director's fee for Mr. Webster for his service as Chairman of the Executive Committee. The compensation for outside directors is periodically reviewed for adjustment by the Compensation Committee.

Table of Contents**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has four standing committees: the *Compensation Committee*, the *Audit Committee*, the *Corporate Governance and Nominating Committee* (the *Governance Committee*) and the *Executive Committee*. The *Compensation Committee* met three times during the last fiscal year. The *Audit Committee* met six times during the last fiscal year. The *Governance Committee* did not meet during the last fiscal year, but took action by written consent two times during the last fiscal year. The *Executive Committee* met six times during the last fiscal year.

The *Compensation Committee* operates under a written charter, adopted in April 2003 and amended in July 2004. The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's executive officers. At least annually, the Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of each executive officer of the Company (including the Chief Executive Officer), evaluates each executive officer's performance in light of these goals and objectives, and sets each executive officer's compensation level based on this evaluation. The Compensation Committee annually determines whether the Chief Executive Officer and other executive officers will participate in any annual or long-term incentive plans established for the Company's executive officers or employees. The Compensation Committee also advises senior management with respect to the range of compensation to be paid to other employees of the Company and administers and grants stock options to the Company's officers, employees and consultants pursuant to the Company's equity-based plans, including the 1999 Plan. Each member of the Compensation Committee is an independent director, in accordance with the independence requirements of the NYSE Corporate Governance Standards. The current members of the Compensation Committee are Messrs. Sams (Chair), Armfield, Loo and Perkins.

The *Audit Committee* operates under a written charter, adopted in April 2000 and most recently amended in July 2004. The Audit Committee was established in accordance with Section 3(a)(58)A of the Exchange Act. The Audit Committee discharges the Board's responsibility relating to the oversight of: (i) the integrity of the financial statements of the Company, (ii) the compliance by the Company with legal and regulatory requirements, (iii) the independent auditor's independence and qualifications, and (iv) the performance of the Company's internal audit function and independent auditors. The Audit Committee, among other things, is responsible for the appointment, compensation, retention, and oversight of the Company's independent auditors and reviews the financial statements, audit reports, internal controls and internal audit procedures. Each member of the Audit Committee is an independent director, in accordance with the independence requirements of the Exchange Act and the NYSE Corporate Governance Standards. The current members of the Audit Committee are Messrs. Armfield (Chair), Cox, Sams and Webster.

The *Governance Committee* operates under a written charter, adopted in April 2003 and most recently amended in August 2007. The Governance Committee is responsible for, among other things, identifying candidates to serve as directors of the Company consistent with criteria approved by the Board, and for making recommendations to the Board of qualified nominees for election or re-election as directors of the Company. It is also responsible for recommending to the Board, for the Board's approval, all committee members and chairpersons. The Governance Committee is responsible for establishing a system for, and monitoring the process of, performance reviews of the Board, its committees and key management personnel. The Governance Committee reviews the Corporate Governance Issues and Policies Guidelines (the *Corporate Governance Guidelines*) from time to time and recommends to the Board any changes to the Corporate Governance Guidelines. The Governance Committee also monitors compliance with the Company's Ethical Business Conduct Policy Statement (the *Policy Statement*), reviews the Policy Statement from time to time and provides recommendations to the Board for any changes to the Policy Statement. The Governance Committee also administers the Company's Related Person Transactions Approval Policy (the *Related Person Transactions Policy*) and may from time to time recommend to the Board any changes to the Related Person Transactions Policy. Each member of the Governance Committee is an independent director, in accordance with the independence requirements of the NYSE Corporate Governance Standards. The current members

of the Governance Committee are Messrs. Langone (Chair), Armfield, Loo, Sams and Webster.

The *Executive Committee* operates under a written charter adopted in September 2007. The Executive Committee may exercise all of the authority of the Board of Directors in the management of the Company, subject to limitations under New York law. The current members of the Executive Committee are Messrs. Webster (Chair), Berrier, Jasper and Wener.

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SHAREHOLDER RECOMMENDATIONS FOR DIRECTOR NOMINEES

The Governance Committee will consider those recommendations by Shareholders of director nominees which are submitted in writing with biographical and business experience information to the Secretary of the Company, in the manner described in the section entitled "Shareholder Proposals" contained in this Proxy Statement. All nominees for director must demonstrate integrity, accountability, informed judgment, financial literacy, passion, creativity and vision. In addition, the Board is comprised of directors from various backgrounds and professions in order to maximize perspective and ensure a wealth of experiences to inform its decisions. The objective of the Governance Committee is to structure a Board that brings to the Company a variety of skills and perspectives developed through high-quality business and professional experience. The Governance Committee believes that men and women of different ages, races and ethnic backgrounds can contribute different, useful perspectives, and can work effectively together to further the Company's mission.

The Governance Committee reviews the background and qualifications of each nominee to determine his or her experience, competence and character, and assesses such nominee's potential contribution to the Board. Other than the foregoing, there are no stated minimum criteria for director nominees. The Governance Committee may, however, consider such other factors as it deems are in the best interests of the Company and the Shareholders. Shareholder nominees will be analyzed by the Governance Committee in the same manner as nominees that are otherwise considered by the Governance Committee.

The Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue to serve. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining new perspectives. If any member of the Board does not wish to continue in service, or if the Governance Committee decides not to nominate a member for re-election, unless the Board determines not to fill a vacancy, the Governance Committee will identify a new nominee with the desired skills and experience as outlined above. To date, the Governance Committee has not engaged a third party to identify or evaluate or assist in identifying potential nominees, although it reserves the right to do so in the future if necessary.

All nominees for election to the Board have been recommended by the Governance Committee. All such nominees are current directors standing for re-election, except for Mr. Cox, who was appointed since the last Annual Meeting of Shareholders and is standing for his first Shareholder election. Mr. Cox was identified and recommended to the Governance Committee by Mr. Langone.

ATTENDANCE OF DIRECTORS

The Board met four times during fiscal 2008. All directors attended at least seventy-five percent (75%) of the aggregate number of meetings of the Board and meetings held by all committees of the Board on which they serve during the period in which they served as a director or a committee member.

CORPORATE GOVERNANCE MATTERS

Director Independence

For a director to be considered independent under the NYSE Corporate Governance Standards, the Board must affirmatively determine that the director has no direct or indirect material relationship with the Company, other than as a director. As permitted by the NYSE Corporate Governance Standards, the Board has adopted its Director

Independence Standards to assist it in making its independence determinations. These standards are attached to this Proxy Statement as Appendix A and are also available on the Company's website referenced below as Exhibit A to the Corporate Governance Guidelines.

After considering the Director Independence Standards, the NYSE Corporate Governance Standards, and all other relevant facts and circumstances, including the existence of any commercial or charitable relationships between the directors and the Company, the Board has determined that all of its members, other than Messrs. Wener, Berrier and Jasper, meet the Company's categorical standards, meet the independence requirements of the NYSE and are independent.

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Corporate Governance Guidelines and Committee Charters

In furtherance of its longstanding goal of providing effective governance of the Company's business for the benefit of Shareholders, the Board has adopted the Corporate Governance Guidelines. Each of the Audit Committee, the Compensation Committee and the Governance Committee operate under written charters that have been adopted by the Board. The Corporate Governance Guidelines and the committee charters are available on the Company's website at www.unifi.com under the Investor Relations section. In addition, print copies of the Corporate Governance Guidelines and the committee charters are available to any Shareholder that requests a copy.

Audit Committee Financial Expert

The Board has determined that at least one member of the Audit Committee, William J. Armfield, IV, is an audit committee financial expert. Mr. Armfield is independent as that term is defined in the NYSE Corporate Governance Standards.

Executive Sessions of Non-Management Directors

Non-management Board members meet without management present at regularly scheduled executive sessions. In addition, to the extent that, from time to time, the group of non-management directors includes directors that are not independent, at least once a year there will be scheduled an executive session including only independent directors. During fiscal 2008, Mr. Sams, as the Company's independent Lead Director, presided over meetings of the independent and non-management directors.

Code of Business Conduct and Ethics; Ethical Business Conduct Policy Statement

The Company has adopted a written Code of Business Conduct and Ethics applicable to members of the Board and executive officers, including the CEO and CFO (the Code of Business Conduct and Ethics). The Company has also adopted the Policy Statement that applies to all employees. The Code of Business Conduct and Ethics and the Policy Statement are available on the Company's website referenced above, under the Investor Relations section and printed copies of each are available to any Shareholder that requests a copy. Any amendments to or waiver of the Code of Business Conduct and Ethics will be disclosed on the Company's website promptly following the date of such amendment or waiver.

Shareholder and Interested Party Communications

Shareholders and other interested parties may communicate directly with the entire Board, any committee of the Board, the Chair of any Board committee, any individual director, the independent Lead Director, the independent or non-management directors, as a group, or any other group of directors by writing to: Unifi, Inc. Board of Directors, c/o Corporate Compliance Officer, 7201 West Friendly Avenue, Greensboro, North Carolina 27410. Any correspondence sent in this manner and directed to the Lead Director, any particular director, or any particular committee or group will be forwarded accordingly. If no specific addressee is provided, the communication will be forwarded to the Chairman of the Board. Reference is also made to Article VIII of the Corporate Governance Guidelines.

Director Attendance at Annual Meetings

At the 2007 Annual Meeting of Shareholders, all nine members of our Board at that time were in attendance. We believe that the Annual Meeting is an opportunity for Shareholders to communicate directly with our directors. Directors are encouraged to attend the Annual Meeting of Shareholders.

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**COMPENSATION COMMITTEE INTERLOCKS AND
INSIDER PARTICIPATION IN COMPENSATION DECISIONS**

None of the individuals that served as a member of the Compensation Committee during fiscal 2008 were at any time officers or employees of the Company or any of its subsidiaries or had any relationship with the Company requiring disclosure under SEC regulations.

Policies and Procedures with Respect to Related Party Transactions

The Board is committed to upholding the highest legal and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest. Accordingly, as a general matter, it is the Board's preference to avoid related party transactions.

Pursuant to the Code of Business Conduct and Ethics, all executive officers and directors are required to discuss with the Company's General Counsel any transaction or relationship which does or may conflict with the interests of the Company, prior to the entry into of such transaction. Pursuant to the Related Person Transactions Policy the Company's General Counsel must submit any potential or actual conflict of interest involving an officer, director or related person to the Governance Committee for review and approval. Under this policy, the Governance Committee will determine an appropriate resolution on a case-by-case basis, including approval, ratification, amendment, termination or rescission of the transaction. All directors must excuse themselves from any discussion or decision affecting their personal, business or professional interests.

All related party transactions shall be disclosed in the Company's applicable filings with the SEC, as required under SEC rules.

**TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND
CERTAIN CONTROL PERSONS**

Transactions with Dillon Yarn Corporation and Mr. Wener

In fiscal 2007, the Company purchased the polyester and nylon texturing operations of Dillon (the Transaction). In connection with the Transaction the Company and Dillon entered into a Sales and Services Agreement for a term of two years from January 1, 2007, pursuant to which the Company has agreed to pay Dillon an aggregate amount of \$6.0 million in exchange for certain sales and transitional services to be provided by Dillon's sales staff and executive management, of which \$3.0 million was paid in fiscal 2008. In addition, during fiscal 2008 the Company recorded sales to and commission income from Dillon in the aggregate amount of \$62,000, has purchased products from Dillon in an aggregate amount of \$2.3 million and paid to Dillon, for certain employee and other expense reimbursements, an aggregate amount of \$467,000. Additionally, Dillon paid the Company, for certain expenses related to transition services the Company was performing for Dillon following the Transaction, an aggregate amount of \$740,000. Further in connection with the Transaction, Dillon guaranteed up to \$1.0 million of the Company's receivable from New River Industries, Inc. (New River). During fiscal 2008, New River declared bankruptcy. Pursuant to this guarantee, during fiscal 2008, the Company received \$971,000 from Dillon to settle the receivable. Mr. Wener, a director of the Company, is the President and Chief Executive Officer of Dillon, was a director of New River, and together with his spouse, beneficially owned a 12% equity interest in New River.

In fiscal 2008, Unifi Manufacturing, Inc. (UMI), a wholly owned subsidiary of the Company, sold certain real and personal property held by UMI located in Dillon, South Carolina, to 1019 Realty LLC (the Buyer) for a sale price of \$4,000,000. The real and personal property being sold by UMI was acquired by the Company pursuant to the

Transaction. Mr. Wener, is a manager of the Buyer, and has a 13.5% ownership interest in and is the sole manager of an entity which owns 50% of the Buyer.

Mr. Wener is an Executive Vice President of American Drawtech Company, Inc. (ADC) and beneficially owns a 12.5% equity interest in ADC. During fiscal 2008 the Company recorded sales to and commission income from ADC in the aggregate amount of \$2.4 million and paid expenses to ADC of \$17,000.

Mr. Wener is a director of Titan Textile Canada, Inc. (Titan) and beneficially owns a 12.5% equity interest in Titan. During fiscal 2008, the Company recorded sales to Titan in the amount of \$2.3 million.

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Transactions with Salem Holding Company

Mr. Langone, a director of the Company, is a director, stockholder, and Chairman of the Board of Salem Holding Company. In fiscal 2008, the Company paid Salem Leasing Corporation, a wholly owned subsidiary of Salem Holding Company, \$3.4 million in connection with leases of tractors and trailers, and for related services. The terms of the Company's leases with Salem Leasing Corporation are, in management's opinion, no less favorable than the Company would have been able to negotiate with an independent third party for similar equipment and services.

For a discussion of agreements with the Company's NEOs see Compensation Discussion & Analysis Elements of Compensation Perquisites and Other Benefits Change of Control Agreements.

AUDIT COMMITTEE REPORT

The Company's Audit Committee consists of four independent Directors and operates under a written charter adopted by the Board and most recently amended in July 2004. The current members of the Audit Committee are William J. Armfield, IV (Chair), Archibald Cox, Jr., William M. Sams and G. Alfred Webster.

The Company's management is responsible for the Company's financial statements and reporting process and for establishing and maintaining an adequate system of internal control over financial reporting. Ernst & Young LLP (E&Y), the Company's independent registered public accounting firm, is responsible for auditing the Company's consolidated financial statements, for attesting to Management's Report on Internal Control over Financial Reporting, and for assessing the effectiveness of internal control over financial reporting. The Audit Committee monitors and oversees these processes and is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accounting firm.

To fulfill its responsibilities, the Audit Committee has:

- reviewed and discussed with the Company's management and the independent registered public accounting firm the Company's audited consolidated financial statements for the fiscal year ended June 29, 2008 and Management's Report on Internal Control over Financial Reporting for the fiscal year ended June 29, 2008;

- reviewed management's representations to the Audit Committee that those audited consolidated financial statements were prepared in accordance with generally accepted accounting principles;

- discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards 61 (Codification of Statements on Auditing Standards), as amended; and

- received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with E&Y their independence from the Company.

Based on its discussions with management and the independent registered public accounting firm, the representations of management and the report of the independent registered public accounting firm, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements for fiscal 2008 be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2008 for filing with the SEC.

Submitted by the Audit Committee of the Board:

William J. Armfield, IV, Chairman

Archibald Cox, Jr.
William M. Sams
G. Alfred Webster

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Pursuant to its authority, the Company's Audit Committee will select the Company's independent registered public accounting firm for the current fiscal year at a meeting subsequent to the Annual Meeting. Ernst & Young LLP was selected as the Company's independent registered public accounting firm for the fiscal year ended June 29, 2008. Ernst & Young LLP has been the Company's independent auditors since 1990. Representatives of Ernst & Young LLP will attend the Annual Meeting. They will have the opportunity to make a statement if they so desire and to answer appropriate questions from Shareholders.

Fees Paid to Independent Registered Public Accounting Firm

The fees paid to Ernst & Young LLP for services rendered to the Company for the fiscal years indicated below were as follows:

	<i>Fiscal Years Ended</i>	
	<i>June 29, 2008</i>	<i>June 24, 2007</i>
Audit Fees(1)	\$ 1,192,000	\$ 1,388,000
Audit-Related Fees		
Tax Fees(2)	32,000	36,000
All Other Fees		

(1) For fiscal 2007, includes \$98,000 of fees related to the Company's Registration Statement on Form S-4.

(2) Consists of aggregate fees paid for tax compliance, consultation and related tax matters.

Policy on Audit Committee Pre-Approval of the Audit and Permissible Non-Audit Services by the Company's Independent Registered Public Accounting Firm

The Audit Committee has adopted a policy governing the provision of all audit and non-audit services by the Company's independent registered public accounting firm. Pursuant to this policy, the Audit Committee will annually consider and approve, if appropriate, the provision of audit services (including audit review and attest services) and of certain specific defined permitted non-audit services (pre-approved services) by its independent registered public accounting firm. It will also consider on a case-by-case basis and, if appropriate, approve specific engagements that do not fit within the definition of pre-approved services.

The policy provides that any proposed engagement that does not fit within the definition of a pre-approved service must be presented to the Audit Committee for consideration (a) at a regular meeting, (b) at a special meeting called to consider the proposed engagement or by a unanimous written consent of the Audit Committee or (c) by the Chairperson of the Audit Committee, or another member of the Audit Committee. If permissible non-audit services are pre-approved by the Chairperson or another member of the Committee, that decision is required to be presented at the next meeting of the Audit Committee. The Audit Committee will regularly review summary reports detailing all services (and related fees and expenses) being provided to the Company by the independent registered public accounting firm.

**SECTION 16(a) BENEFICIAL OWNERSHIP
REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and any person who owns more than ten percent of the Company's stock, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of the Common Stock. Such persons are required by the SEC's regulations to furnish the Company with copies of all Section 16(a) reports they filed.

To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required, all such Section 16(a) filings were timely made during the fiscal year ended June 29, 2008.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table summarizes information as of June 29, 2008 regarding the number of shares of Common Stock that may be issued under the Company's equity compensation plans:

<i>Plan Category</i>	<i>Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</i> <i>(a)</i>	<i>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</i> <i>(b)</i>	<i>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</i> <i>(c)</i>
Equity compensation plans approved by shareholders	5,383,516	\$ 4.64	256,451
Equity compensation plans not approved by shareholders			
Total	5,383,516	\$ 4.64	256,451

Under the terms of the 1999 Unifi Inc. Long-Term Incentive Plan (1999 Plan), the maximum number of shares to be issued was approved at 6,000,000. Of the 6,000,000 shares approved for issuance, no more than 3,000,000 may be issued as restricted stock. To date, 258,166 shares have been issued as restricted stock of which 300 shares are unvested as of June 29, 2008. Any option or restricted stock that is forfeited may be reissued under the terms of the plan. The amount forfeited or canceled is included in the number of securities remaining available for future issuance in column (c) in the above table.

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PROPOSAL 2

**APPROVAL OF THE 2008 UNIFI, INC.
LONG-TERM INCENTIVE PLAN**

The Board of Directors has approved and recommended the adoption of the 2008 Unifi, Inc. Long-Term Incentive Plan (the 2008 Plan), subject to approval by the Shareholders.

The purpose of the 2008 Plan is to enable the Company and its subsidiaries to attract, retain and motivate officers, employees and non-employee directors, and to provide the Company with the ability to provide incentives directly linked to the profitability of the Company s businesses and increases in Shareholder value and the enhancement of performance relating to customers.

Set forth below is a summary of certain important features of the 2008 Plan. This summary is qualified in its entirety by reference to the actual plan attached hereto as Appendix B. The 2008 Plan, if adopted by the Shareholders of the Company, will be effective as of October 29, 2008.

Administration. The 2008 Plan will be administered by the Compensation Committee of the Company or such other committee of the Board as the Board may from time to time designate, which Committee will be composed of not less than two outside directors for purposes of Section 162(m) of the Code who shall also be non-employee directors. Among other things, the Compensation Committee will have the authority, subject to the terms of the 2008 Plan, to select officers, employees and directors, to whom awards may be granted, to determine the type of award as well as the number of shares of Common Stock to be covered by each award, and to determine the terms and conditions of any such awards. The Compensation Committee also will have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the 2008 Plan as it deems advisable, to interpret the terms and provisions of the 2008 Plan and any awards issued thereunder and to otherwise supervise the administration of the 2008 Plan. All decisions made by the Compensation Committee pursuant to the 2008 Plan will be final and binding.

Eligibility. Officers, directors and employees of the Company and subsidiaries of the Company are eligible to be granted awards under the 2008 Plan, as determined by the Compensation Committee. As of June 29, 2008 the Company had approximately 2,800 employees.

Plan Features. The 2008 Plan authorizes the issuance of up to 6,000,000 shares of Common Stock pursuant to the grant or exercise of stock options, including incentive stock options (ISOs), nonqualified stock options (NQSO), and restricted stock, but not more than 3,000,000 shares may be issued as restricted stock and no single participant may be granted awards pursuant to the 2008 Plan covering in excess of 1,500,000 shares in any three consecutive years. Subject to the foregoing limits, the shares available under the 2008 Plan can be divided among the various types of awards and among the participants as the Compensation Committee sees fit. The shares subject to grant under the 2008 Plan are to be made available from authorized but unissued shares or from treasury shares as determined from time to time by the Board. Awards may be granted for such terms as the Compensation Committee may determine, except that the term of an ISO may not exceed ten years from its date of grant. No awards outstanding on the termination date of the 2008 Plan will be affected or impaired by such termination.

DESCRIPTION OF AWARDS

Stock Options. The 2008 Plan authorizes the Compensation Committee to grant options to purchase Common Stock at an exercise price (the option price) which cannot be less than 100% of the fair market value of such stock on the date of grant. Each option will expire at such time as the Compensation Committee determines at the time of grant,

provided, however, that no incentive stock option may be exercised later than the 10th anniversary date of its grant, to the extent the aggregate fair market value of stock with respect to which incentive stock options are exercisable for the first time by the participant during any calendar year exceeds \$100,000 such option shall be treated as NQSO to the extent required by Section 422 of the Code.

The 2008 Plan permits the exercise price of an option to be paid in cash at the time of such exercise by tendering shares of stock either by actual delivery or shares by attestation, with such shares valued at fair market value, or in any combination thereof, or by authorization of a third party to sell shares of stock acquired upon exercise of the option and remit to the Company sufficient portions of the sales price to pay the entire exercise price and any tax withholding resulting from such exercise, all as determined by the Compensation Committee.

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Options may be granted either as ISOs or NQSOs. The principal difference between such options is their tax treatment. See Federal Income Tax Consequences.

The 2008 Plan also provides that, with respect to options, the period during which an option may be exercisable following the termination of the employment by a participant generally may not exceed three months, unless employment is terminated as the result of death, disability or retirement, in which case the option may be exercised during a period of 12 months following the date of such death, disability or retirement. In no event, however, may an incentive stock option be exercised after the expiration of its original term. Further, in the event of a termination for cause the participant's option shall only be exercisable on the date of termination.

Restricted Stock. The 2008 Plan authorizes the Compensation Committee to grant restricted stock to individuals with such restriction periods as the Compensation Committee may designate. The Compensation Committee may, prior to granting shares of restricted stock, designate certain participants as Covered Employees upon determining that such participants are or are expected to be covered employees within the meaning of Section 162(m)(3) of the Code, and will provide that the issuance of certain restricted stock awards to these Covered Employees is contingent upon achieving performance goals established by the Compensation Committee within the time period prescribed by Section 162(m) of the Code. In the event the employment of a participant is terminated because of normal retirement, disability or death, any remaining period of restriction applicable to the restricted stock shall automatically terminate.

Unless the Committee determines otherwise, in the event that such employment is terminated for any other reason during the period of restriction, then any shares still subject to restrictions at the date of such termination of employment shall automatically be forfeited and returned to the Company.

Duration, Amendment and Discontinuance. The 2008 Plan will terminate on October 28, 2018. Awards outstanding as of such date will not be affected or impaired by the termination of the 2008 Plan. The 2008 Plan may be amended, altered or discontinued by the Board, but no amendment, alteration or discontinuance may be made which would (i) impair the rights of an optionee under an option or a restricted stock award previously granted without the optionee's or recipient's consent, except such an amendment made to qualify the 2008 Plan for the exemption provided by Rule 16b-3 or (ii) disqualify the 2008 Plan from the exemption provided by Rule 16b-3. Except as expressly provided in the 2008 Plan, the 2008 Plan may not be amended without shareholder approval to the extent such approval is required by law or agreement.

Transferability. Options under the 2008 Plan are not transferable other than as designated by the participant by will or other law of descent and distribution and during the participant's life may be exercisable only by the participant.

Change of Control. The 2008 Plan provides that, in the event of a change of control (as defined in the 2008 Plan which is attached hereto as Appendix B) of the Company (i) any stock options outstanding as of the date of the change of control which are not then exercisable and vested will become fully exercisable and vested, (ii) the restrictions applicable to restricted stock will lapse and such restricted stock shall become free of all restrictions and fully vested.

Federal Income Tax Consequences. The following discussion is intended only as a brief summary of the federal income tax rules relevant to stock options and restricted stock units. The laws governing the tax aspects of awards are highly technical and such laws are subject to change.

NQSOs. Upon the grant of a nonqualified option, the optionee will not recognize any taxable income and the Company will not be entitled to a deduction. Upon the exercise of such an option, the excess of the fair market value of the shares acquired on the exercise of the option over the option price (the spread), will constitute compensation taxable to the optionee as ordinary income. In determining the amount of the spread or the amount of consideration

paid to the optionee, the fair market value of the stock on the date of exercise is used. The Company, in computing its federal income tax, will generally be entitled to a deduction in an amount equal to the compensation taxable to the optionee.

ISOs. An optionee will not recognize taxable income on the grant or exercise of an ISO. However, the spread at exercise will constitute an item includible in alternative minimum taxable income, and thereby may subject the optionee to the alternative minimum tax. Such alternative minimum tax may be payable even though the optionee receives no cash upon the exercise of his ISO with which to pay such tax.

Upon the disposition of shares of stock acquired pursuant to the exercise of an ISO after the later of (i) two years from the date of grant of the ISO or (ii) one year after the transfer of the shares to the optionee (the ISO Holding

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Period), the optionee will recognize long-term capital gain or loss, as the case may be, measured by the difference between the stock's selling price and the exercise price. The Company is not entitled to any tax deduction by reason of the grant or exercise of an ISO, or by reason of a disposition of sto