

UNIFI INC  
Form 10-Q  
May 07, 2015

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended March 29, 2015

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-10542

**UNIFI, INC.**

*(Exact name of registrant as specified in its charter)*

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

**7201 West Friendly Avenue** **27419-9109**  
**Greensboro, NC** (Zip Code)  
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the issuer's common stock, par value \$.10 per share, as of May 4, 2015 was 18,201,083.

**UNIFI, INC.**

**FORM 10-Q FOR THE QUARTER ENDED MARCH 29, 2015**

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**Part I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(amounts in thousands, except share and per share amounts)

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$14,752	\$15,907
Receivables, net	88,492	93,925
Inventories	105,550	113,370
Income taxes receivable	2,991	179
Deferred income taxes	2,002	1,794
Other current assets	5,362	6,052
Total current assets	219,149	231,227
Property, plant and equipment, net	131,228	123,802
Deferred income taxes	3,996	2,329
Intangible assets, net	5,885	7,394
Investments in unconsolidated affiliates	110,154	99,229
Other non-current assets	4,939	5,086
Total assets	\$475,351	\$469,067
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	\$44,007	\$51,364
Accrued expenses	15,366	18,589
Income taxes payable	1,801	3,134
Current portion of long-term debt	12,361	7,215
Total current liabilities	73,535	80,302
Long-term debt	99,906	92,273
Other long-term liabilities	8,098	7,549
Deferred income taxes	5,784	2,205
Total liabilities	187,323	182,329
Commitments and contingencies		
Common stock, \$0.10 par value (500,000,000 shares authorized, 18,186,050 and 18,313,959 shares outstanding)	1,819	1,831
Capital in excess of par value	44,023	42,130

Retained earnings	268,383	245,673
Accumulated other comprehensive loss	(28,084 )	(4,619 )
Total Unifi, Inc. shareholders' equity	286,141	285,015
Non-controlling interest	1,887	1,723
Total shareholders' equity	288,028	286,738
Total liabilities and shareholders' equity	\$475,351	\$469,067

See accompanying Notes to Condensed Consolidated Financial Statements.

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

(amounts in thousands, except per share amounts)

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>March 29, 2015</b>	<b>March 30, 2014</b>	<b>March 29, 2015</b>	<b>March 30, 2014</b>
Net sales	\$170,530	\$176,864	\$507,861	\$506,150
Cost of sales	148,267	157,105	441,360	447,909
Gross profit	22,263	19,759	66,501	58,241
Selling, general and administrative expenses	12,260	12,290	36,130	33,895
Provision for bad debts	—	137	654	186
Other operating expense, net	972	1,239	3,135	4,008
Operating income	9,031	6,093	26,582	20,152
Interest income	(247 )	(214 )	(873 )	(1,570 )
Interest expense	1,209	962	3,237	3,117
Loss on extinguishment of debt	1,040	—	1,040	—
Equity in earnings of unconsolidated affiliates	(5,459 )	(3,585 )	(12,461 )	(14,830 )
Income before income taxes	12,488	8,930	35,639	33,435
Provision for income taxes	2,729	4,476	10,083	14,151
Net income including non-controlling interest	9,759	4,454	25,556	19,284
Less: net (loss) attributable to non-controlling interest	(257 )	(289 )	(955 )	(772 )
Net income attributable to Unifi, Inc.	\$10,016	\$4,743	\$26,511	\$20,056
Net income attributable to Unifi, Inc. per common share:				
Basic	\$0.55	\$0.25	\$1.46	\$1.05
Diluted	\$0.53	\$0.24	\$1.41	\$1.01

See accompanying Notes to Condensed Consolidated Financial Statements.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)****(amounts in thousands)**

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>March 29, 2015</b>	<b>March 30, 2014</b>	<b>March 29, 2015</b>	<b>March 30, 2014</b>
Net income including non-controlling interest	\$9,759	\$4,454	\$25,556	\$19,284
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(10,368)	1,850	(22,892)	(1,612)
Foreign currency translation adjustments for an unconsolidated affiliate	(414 )	—	(785 )	—
Reclassification adjustments on cash flow hedge	19	133	212	433
Other comprehensive (loss) income, net	(10,763)	1,983	(23,465)	(1,179)
Comprehensive (loss) income including non-controlling interest	(1,004 )	6,437	2,091	18,105
Less: comprehensive (loss) attributable to non-controlling interest	(257 )	(289 )	(955 )	(772 )
Comprehensive (loss) income attributable to Unifi, Inc.	\$(747 )	\$6,726	\$3,046	\$18,877

See accompanying Notes to Condensed Consolidated Financial Statements.



**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)****For the Nine Months Ended March 29, 2015****(amounts in thousands)**

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Unifi, Inc. Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance at June 29, 2014	18,314	\$ 1,831	\$42,130	\$245,673	\$ (4,619 )	\$ 285,015	\$ 1,723	\$ 286,738
Options exercised	5	—	41	—	—	41	—	41
Stock-based compensation	—	—	2,097	—	—	2,097	—	2,097
Conversion of restricted stock units	16	2	(2 )	—	—	—	—	—
Common stock repurchased and retired under publicly announced program	(149 )	(14 )	(345 )	(3,801 )	—	(4,160 )	—	(4,160 )
Excess tax benefit on stock-based compensation plans	—	—	102	—	—	102	—	102
Other comprehensive loss, net	—	—	—	—	(23,465 )	(23,465 )	—	(23,465 )
Contributions from non-controlling interest	—	—	—	—	—	—	1,119	1,119
Net income (loss)	—	—	—	26,511	—	26,511	(955 )	25,556
Balance at March 29, 2015	18,186	\$ 1,819	\$44,023	\$268,383	\$ (28,084 )	\$ 286,141	\$ 1,887	\$ 288,028

See accompanying Notes to Condensed Consolidated Financial Statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)****(amounts in thousands)**

	<b>For The Nine Months Ended</b>	
	<b>March 29, 2015</b>	<b>March 30, 2014</b>
Cash and cash equivalents at beginning of year	\$15,907	\$8,755
<i>Operating activities:</i>		
Net income including non-controlling interest	25,556	19,284
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:		
Equity in earnings of unconsolidated affiliates	(12,461 )	(14,830 )
Distributions received from unconsolidated affiliates	598	9,832
Depreciation and amortization expense	13,324	13,290
Loss on extinguishment of debt	1,040	—
Non-cash compensation expense	2,462	2,091
Excess tax benefit on stock-based compensation plans	(102 )	(3,553 )
Deferred income taxes	(74 )	417
Other, net	700	2,147
Changes in assets and liabilities:		
Receivables, net	(546 )	537
Inventories	(709 )	(1,075 )
Other current assets and income taxes receivable	(2,745 )	2,344
Accounts payable and accruals	(6,157 )	2,905
Income taxes payable	(1,265 )	4,268
Other non-current assets	76	4,780
Net cash provided by operating activities	19,697	42,437
<i>Investing activities:</i>		
Capital expenditures	(19,393 )	(13,390 )
Proceeds from sale of assets	130	2,186
Other, net	(85 )	240
Net cash used in investing activities	(19,348 )	(10,964 )
<i>Financing activities:</i>		
Proceeds from revolving credit facility	113,900	99,500
Payments on revolving credit facility	(122,800)	(126,600)
Proceeds from term loan	22,000	25,200
Payments on term loan	(5,625 )	—
Payments of debt financing fees	(934 )	(3 )
Common stock repurchased and retired under publicly announced programs	(4,160 )	(30,715 )
Common stock tendered to the Company for withholding tax obligations and retired	—	(1,654 )

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Proceeds from stock option exercises	41	3,056
Excess tax benefit on stock-based compensation plans	102	3,553
Contributions from non-controlling interest	1,119	822
Other	(1,167 )	(152 )
Net cash provided by (used in) financing activities	2,476	(26,993 )
Effect of exchange rate changes on cash and cash equivalents	(3,980 )	(76 )
Net (decrease) increase in cash and cash equivalents	(1,155 )	4,404
Cash and cash equivalents at end of period	\$14,752	\$13,159

See accompanying Notes to Condensed Consolidated Financial Statements.

**Unifi, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**1. Background**

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, “we”, the “Company” or “Unifi”), is a multi-national manufacturing company that processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and premier value-added (“PVA”) yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company’s polyester products include polyester polymer beads (“Chip”), partially oriented yarn (“POY”), textured, solution and package dyed, twisted, beamed and draw wound yarns; each is available in virgin or recycled varieties (the latter made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles). The Company’s nylon products include textured, solution dyed and covered spandex products.

The Company maintains one of the textile industry’s most comprehensive yarn product offerings, and has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States (“U.S.”). The Company’s principal geographic markets for its products are located in the U.S., Canada, Mexico, Central America and South America. In addition, the Company has a wholly-owned subsidiary in the People’s Republic of China (“China”) focused on the sale and promotion of the Company’s PVA and other specialty products in the Asian textile market, primarily in China, as well as in the European market.

**2. Basis of Presentation; Condensed Notes**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. As contemplated by the instructions of the Securities and Exchange Commission to Form 10-Q, the following notes have been condensed and, therefore, do not contain all disclosures required in connection with annual financial statements. Reference should be made to the Company’s year-end audited consolidated financial statements and notes thereto contained in its Annual Report on Form 10-K for the fiscal year ended June 29, 2014 (the “2014 Form 10-K”).

The financial information included in this report has been prepared by the Company, without audit. In the opinion of management, all adjustments considered necessary for a fair statement of the results for interim periods have been included. Nevertheless, the results shown for interim periods are not necessarily indicative of results to be expected for the full year. The June 29, 2014 condensed consolidated balance sheet data contained herein was derived from the 2014 Form 10-K, but does not include all annual disclosures required by GAAP. The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect

certain amounts and disclosures. Actual results may vary from such estimates.

All dollar and other currency amounts and share amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

*Fiscal Year*

The Company's current fiscal quarter ended on March 29, 2015, the last Sunday in March. The Company's Brazilian, Colombian and Chinese subsidiaries' fiscal quarter ended on March 31, 2015 and there were no significant transactions or events that occurred between the Company's fiscal quarter end and its subsidiaries' fiscal quarter end. The three months ended March 29, 2015 and March 30, 2014 each consisted of thirteen fiscal weeks. The nine months ended March 29, 2015 and March 30, 2014 each consisted of thirty-nine fiscal weeks.

*Reclassifications*

Certain reclassifications of prior years' data have been made to conform to the current year presentation.

**3. Recent Accounting Pronouncements**

There have been no newly issued or newly applicable accounting pronouncements that have, or are expected to have, a significant impact on the Company's financial statements.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)****4. Acquisition***Acquisition of Draw Winding Business from Dillon Yarn Corporation*

On December 2, 2013, the Company acquired certain draw winding assets and the associated business from American Drawtech Company, Inc. (“ADC”), a division of Dillon Yarn Corporation (“Dillon”), pursuant to the exercise of an option granted to the Company under the terms of a commissioning agreement with Dillon, for \$2,934, which included accounts payable and an accrued contingent liability. The assets acquired include Dillon’s draw winding inventory and production machinery and equipment. This acquisition increased the Company’s polyester production capacity and has allowed the Company to expand its presence in targeted industrial, belting, hose and thread markets by increasing its product offerings to include mid-tenacity flat yarns. At the time of the acquisition, Mr. Mitchel Weinberger was a member of the Company’s Board of Directors (the “Board”) and was also Dillon’s President and Chief Operating Officer and an Executive Vice President and a director of ADC.

The acquisition has been accounted for as a business combination, which requires assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The Company concluded that the acquisition did not represent a material business combination. The fair values of the assets acquired, liabilities assumed and consideration transferred are as follows:

**Assets:**

Inventory	\$434
Machinery and equipment	835
Customer list	1,615
Non-compete agreement	50
Total assets	\$2,934

**Liabilities:**

Accounts payable	\$434
Contingent consideration	2,500
Total liabilities	\$2,934

The contingent consideration liability represented the present value of the expected future payments due to Dillon over the five-year period following the acquisition date. The payments due are equal to one-half of the operating profit of the draw winding business, as calculated using an agreed-upon definition. The assumptions used in estimating the contingent consideration liability were based on inputs not observable in the market and represent Level 3 fair value measurements. These estimates are reviewed quarterly and any adjustment is recorded through operating income.

See “Note 9. Intangible Assets, Net” for further discussion of the customer list and non-compete agreement.

See “Note 17. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities” for further discussion of the recurring measurement of the contingent consideration.

## 5. Receivables, Net

Receivables, net consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Customer receivables	\$90,072	\$95,270
Allowance for uncollectible accounts	(1,282 )	(1,035 )
Reserves for yarn quality claims	(675 )	(618 )
Net customer receivables	88,115	93,617
Related party receivables	72	17
Other receivables	305	291
Total receivables, net	\$88,492	\$93,925

Other receivables consist primarily of receivables for duty drawback, healthcare claim reimbursement, interest and refunds from vendors.

The changes in the Company’s allowance for uncollectible accounts and reserves for yarn quality claims were as follows:

	<b>Allowance for Uncollectible Accounts</b>	<b>Reserves for Yarn Quality Claims</b>
Balance at June 29, 2014	\$ (1,035 )	\$ (618 )
Charged to costs and expenses	(654 )	(973 )
Charged to other accounts	264	31
Deductions	143	885
Balance at March 29, 2015	\$ (1,282 )	\$ (675 )

Amounts charged to costs and expenses for the allowance for uncollectible accounts are reflected in the provision for bad debts and deductions represent amounts written off which were deemed to not be collectible, net of any recoveries. Amounts charged to costs and expenses for the reserves for yarn quality claims are primarily reflected as a reduction of net sales and deductions represent adjustments to either increase or decrease claims based on negotiated



amounts or actual versus estimated claim differences. Amounts charged to other accounts primarily include the impact of translating the activity of the Company's foreign affiliates from their respective local currencies to the U.S. Dollar.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)****6. Inventories**

Inventories consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Raw materials	\$41,644	\$42,244
Supplies	4,919	5,345
Work in process	8,111	7,404
Finished goods	51,782	59,716
Gross inventories	106,456	114,709
Inventory reserves	(906 )	(1,339 )
Total inventories	\$105,550	\$113,370

The cost for the majority of the Company's inventories is determined using the first-in, first-out method. Certain foreign inventories and limited categories of supplies of \$26,871 and \$32,822 as of March 29, 2015 and June 29, 2014, respectively, were valued under the average cost method.

**7. Other Current Assets**

Other current assets consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Vendor deposits	\$1,667	\$2,369
Prepaid expenses	1,552	1,876
Value added taxes receivable	1,296	1,197
Assets held for sale	761	—
Other	86	610
Total other current assets	\$5,362	\$6,052

Vendor deposits primarily relate to down payments made toward the purchase of raw materials by the Company's U.S., Brazilian and Chinese operations. Value added taxes receivable are recoverable taxes associated with the sales and purchase activities of the Company's foreign operations. Prepaid expenses consist of advance payments for insurance, professional fees, membership dues, subscriptions, non-income related tax payments, marketing and

information technology services.

Assets held for sale represents certain land and building assets historically utilized for warehousing in the Polyester Segment.

Other consists primarily of amounts held by the Company's Colombian subsidiary in an investment fund under liquidation.

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**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)****8. Property, Plant and Equipment, Net**

Property, plant and equipment, net consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Land	\$2,396	\$2,957
Land improvements	11,708	11,676
Buildings and improvements	141,473	145,458
Assets under capital leases	10,652	4,587
Machinery and equipment	528,923	532,650
Computers, software and office equipment	16,703	17,404
Transportation equipment	4,657	4,901
Construction in progress	7,335	6,896
Gross property, plant and equipment	723,847	726,529
Less: accumulated depreciation	(591,963)	(602,436)
Less: accumulated amortization – capital leases	(656)	(291)
Total property, plant and equipment, net	\$131,228	\$123,802

During the nine months ended March 29, 2015, the Company entered into three capital leases for machinery and transportation equipment with an aggregate present value of \$6,065.

Depreciation expense, including the amortization of assets under capital leases, internal software development costs amortization, repairs and maintenance expenses, and capitalized interest were as follows:

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>March 29, 2015</b>	<b>March 30, 2014</b>	<b>March 29, 2015</b>	<b>March 30, 2014</b>
Depreciation expense	\$3,635	\$3,831	\$11,255	\$11,217
Internal software development costs amortization	37	35	108	104
Repair and maintenance expenses	4,473	4,946	13,421	13,462
Capitalized interest	90	39	143	122

**9. Intangible Assets, Net**

Intangible assets, net consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Customer lists	\$23,615	\$23,615
Non-compete agreements	4,293	4,293
Licenses	265	265
Trademarks	386	339
Patents	163	162
Total intangible assets, gross	28,722	28,674
Accumulated amortization - customer lists	(19,034)	(17,838)
Accumulated amortization - non-compete agreements	(3,456 )	(3,214 )
Accumulated amortization - licenses	(110 )	(86 )
Accumulated amortization - trademarks	(229 )	(141 )
Accumulated amortization - patents	(8 )	(1 )
Total accumulated amortization	(22,837)	(21,280)
Total intangible assets, net	\$5,885	\$7,394

In fiscal year 2007, the Company purchased the texturing operations of Dillon, which are included in the Company's Polyester Segment. The valuation of the customer list acquired was determined by estimating the discounted net earnings attributable to the customer relationships that were purchased after considering items such as possible customer attrition. Based on the length and trend of the projected cash flows, an estimated useful life of thirteen years was determined. The customer list is amortized through December 2019, in a manner which reflects the expected economic benefit that will be received over its thirteen-year life. The non-compete agreement is amortized through December 2017, using the straight-line method over the period currently covered by the agreement. The amortization expense is included within the Polyester Segment's depreciation and amortization expense.

On December 2, 2013, the Company acquired certain draw winding assets and the associated business from Dillon, as described in "Note 4. Acquisition." A customer list and a non-compete agreement were recorded in connection with the business combination, utilizing similar valuation methods as described above for the fiscal year 2007 transaction. The customer list is amortized over a nine-year estimated useful life based on the expected economic benefit. The non-compete agreement is amortized using the straight-line method over the five-year term of the agreement. The amortization expense is included within the Polyester Segment's depreciation and amortization expense.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)**

During fiscal year 2012, the Company acquired a controlling interest (and continues to hold such 60% membership interest) in Repeve Renewables, LLC (“Renewables”), a development stage enterprise formed to cultivate, grow and sell dedicated energy crops, including biomass intended for use as a feedstock in the production of energy and potential applications for animal bedding. The non-compete agreement for Renewables is amortized using the straight-line method over the five-year term of the agreement. The licenses for Renewables are amortized using the straight-line method over their estimated useful lives of four to eight years.

The Company capitalizes expenses incurred to register trademarks for REPREVE® and other PVA products in various countries. The Company has determined that these trademarks have varying useful lives of up to three years and are being amortized using the straight-line method.

Amortization expense for intangible assets consists of the following:

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>March 29, 2015</b>	<b>March 30, 2014</b>	<b>March 29, 2015</b>	<b>March 30, 2014</b>
Customer lists	\$399	\$ 577	\$1,196	\$1,317
Non-compete agreements	81	81	242	238
Licenses	8	8	24	23
Trademarks	30	28	88	74
Patents	2	—	7	—
Total amortization expense	\$520	\$ 694	\$1,557	\$1,652

**10. Other Non-Current Assets**

Other non-current assets consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Biomass foundation and feedstock, net	\$3,018	\$2,683
Debt financing fees	1,710	2,093

Other	211	310
Total other non-current assets	\$4,939	\$5,086

Biomass foundation and feedstock are currently being developed and propagated by Renewables for potential markets in the animal bedding and bioenergy industries and are reflected net of accumulated depreciation. Other consists primarily of vendor deposits.

## 11. Accrued Expenses

Accrued expenses consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Payroll and fringe benefits	\$10,578	\$12,406
Utilities	2,296	2,876
Property taxes	475	821
Contingent consideration	570	537
Other	1,447	1,949
Total accrued expenses	\$15,366	\$18,589

Other consists primarily of workers compensation and other employee related claims, severance payments, interest, marketing expenses, freight expenses, rent, deferred incentives and other non-income related taxes.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)****12. Long-Term Debt***Debt Obligations*

The following table presents the total balances outstanding for the Company's debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of March 29, 2015 (1)	Principal Amounts as of March 29, 2015	June 29, 2014
ABL Revolver	March 2020	1.9 %	\$ 17,100	\$ 26,000
ABL Term Loan	March 2020	2.5 %	84,375	68,000
Term loan from unconsolidated affiliate	August 2015	3.0 %	1,250	1,250
Capital lease obligations	(2)	(3 )	9,542	4,238
Total debt			112,267	99,488
Current portion of long-term debt			(12,361 )	(7,215 )
Total long-term debt			\$ 99,906	\$ 92,273

(1) The weighted average interest rate as of March 29, 2015 for the ABL Term Loan includes the effects of the interest rate swap at a notional balance of \$50,000.

(2) Scheduled maturity dates for capital lease obligations range from January 2017 to November 2027.

(3) Interest rates for capital lease obligations range from 2.3% to 4.6%.

On March 26, 2015, the Company and its subsidiary, Unifi Manufacturing, Inc., entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement") for a \$200,000 senior secured credit facility (the "ABL Facility") with a syndicate of lenders. The ABL Facility consists of a \$100,000 revolving credit facility (the "ABL Revolver") and an \$84,375 term loan that can be reset up to a maximum amount of \$100,000 if certain future conditions are met (the "ABL Term Loan"). The ABL Facility has a maturity date of March 26, 2020. The Company paid \$750 to the lenders in connection with the Amended Credit Agreement.

The Amended Credit Agreement replaced a previous senior secured credit facility dated May 24, 2012 with a similar syndicate of lenders, which, after multiple amendments, would have matured on March 28, 2019 and consisted of a



\$100,000 revolving credit facility and a \$90,000 term loan. As used herein, the terms “ABL Facility,” “ABL Revolver” and “ABL Term Loan” shall mean the senior secured credit facility, the revolving credit facility or the term loan, respectively, under the Amended Credit Agreement or the previous senior secured credit facility, as applicable.

#### *ABL Facility*

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with proceeds and products) of Unifi, Inc., Unifi Manufacturing, Inc. and certain subsidiary guarantors (the “Loan Parties”). It is also secured by a first-priority security interest in all (or 65% in the case of certain first tier controlled foreign corporations, as required by the lenders) of the stock of (or other ownership interests in) each of the Loan Parties (other than the Company) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

The Amended Credit Agreement includes representations and warranties made by the Loan Parties, affirmative and negative covenants and events of default that are usual and customary for financings of this type. If excess availability under the ABL Revolver falls below the defined Trigger Level, a financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.0 becomes effective. The Trigger Level as of March 29, 2015 was \$23,047. In addition, the ABL Facility contains restrictions on certain payments and investments, including restrictions on the payment of dividends and share repurchases. Subject to certain provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at the Company’s discretion.

ABL Facility borrowings bear interest at the London Interbank Offer Rate (“LIBOR”) plus an applicable margin of 1.50% to 2.00%, or the Base Rate plus an applicable margin of 0.50% to 1.00%, with interest currently being paid on a monthly basis. The Base Rate means the greater of (i) the prime lending rate as publicly announced from time to time by Wells Fargo, (ii) the Federal Funds Rate plus 0.5%, and (iii) LIBOR plus 1.0%. The Company’s ability to borrow under the ABL Revolver is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. There is also a monthly unused line fee under the ABL Revolver of 0.25%.

The ABL Term Loan is subject to (i) quarterly amortizing payments of \$2,250 beginning April 1, 2015 and (ii) principal increases, at the Company’s discretion, resetting the loan balance up to a maximum amount of \$100,000, once per fiscal year upon satisfaction of certain conditions, beginning October 1, 2015.

As of March 29, 2015, the Company was in compliance with all financial covenants; the excess availability under the ABL Revolver was \$67,767; the fixed charge coverage ratio was 3.0 to 1.0; and the Company had \$235 of standby letters of credit, none of which have been drawn upon.

#### *Term Loan from Unconsolidated Affiliate*

On August 30, 2012, a foreign subsidiary of the Company entered into an unsecured loan agreement under which it borrowed \$1,250 from the Company's unconsolidated affiliate, U.N.F. Industries Ltd. The loan does not amortize and bears interest at 3%, payable semi-annually. The entire principal balance is due August 30, 2015, the maturity date.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)***Capital Lease Obligations*

During the nine months ended March 29, 2015, the Company entered into three capital leases for machinery and transportation equipment with an aggregate present value of \$6,065. Interest rates and maturity dates for these capital leases range from 3.1% to 3.3% and August 2019 to March 2020, respectively.

*Scheduled Debt Maturities*

The following table presents the scheduled maturities of the Company's outstanding debt obligations for the remainder of fiscal year 2015 and the fiscal years thereafter:

	<b>Scheduled Maturities on a Fiscal Year Basis</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Thereafter</b>
ABL Revolver	\$—	\$—	\$—	\$—	\$—	\$ 17,100
ABL Term Loan	2,250	9,000	9,000	9,000	9,000	46,125
Capital lease obligations	524	2,124	2,106	1,896	1,747	1,145
Term loan from unconsolidated affiliate	—	1,250	—	—	—	—
<b>Total</b>	<b>\$2,774</b>	<b>\$12,374</b>	<b>\$11,106</b>	<b>\$10,896</b>	<b>\$10,747</b>	<b>\$ 64,370</b>

*Debt Financing Fees*

Debt financing fees are classified within other non-current assets and consist of the following:

Balance at June 29, 2014	\$2,093
Additions	1,059
Loss on extinguishment of debt	(1,040)
Amortization charged to interest expense	(402 )
Balance at March 29, 2015	\$1,710

*Interest Expense*

Interest expense consists of the following:

<b>For the Three Months Ended March</b>		<b>For the Nine Months Ended March</b>	
<b>29, 2015</b>	<b>30, 2014</b>	<b>29, 2015</b>	<b>30, 2014</b>

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Interest on ABL Facility	\$866	\$ 785	\$2,651	\$2,450
Other	43	77	134	146
Subtotal	909	862	2,785	2,596
Reclassification adjustment for cash flow hedge	19	133	212	433
Amortization of debt financing fees	144	105	402	317
Mark-to-market adjustment for interest rate swap	227	(99 )	(19 )	(107 )
Interest capitalized to property, plant and equipment, net	(90 )	(39 )	(143 )	(122 )
Subtotal	300	100	452	521
Total interest expense	\$1,209	\$ 962	\$3,237	\$3,117

*Loss on Extinguishment of Debt*

Entering into the Amended Credit Agreement generated substantially different terms for the ABL Term Loan and resulted in the replacement of an existing lender. Accordingly, the Company recorded a loss on extinguishment of debt of \$1,040 for the write-off of certain debt financing fees related to the previous credit agreement.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)****13. Other Long-Term Liabilities**

Other long-term liabilities consists of the following:

	<b>March 29, 2015</b>	<b>June 29, 2014</b>
Supplemental post-employment plan	\$3,538	\$3,173
Contingent consideration	1,608	2,026
Uncertain tax positions	934	1,101
Interest rate swap	344	363
Other	1,674	886
Total other long-term liabilities	\$8,098	\$7,549

The Company maintains an unfunded supplemental post-employment plan for certain management employees. Each employee's account is credited annually based upon a percentage of the participant's base salary, with each participant's balance adjusted quarterly to reflect returns based upon a stock market index. Amounts are paid to participants only after termination of employment. Expenses recorded for this plan for the three months ended March 29, 2015 and March 30, 2014 were \$32 and \$104, respectively, and for the nine months ended March 29, 2015 and March 30, 2014 were \$365 and \$624, respectively.

Contingent consideration represents the present value of the long-term portion of contingent payments associated with the Company's December 2013 acquisition of Dillon's draw winding business, described in "Note 4. Acquisition" and "Note 17. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities."

Other primarily includes certain retiree and post-employment medical and disability liabilities and deferred incentives.

**14. Income Taxes**

The effective income tax rates for the three months and nine months ended March 29, 2015 and March 30, 2014 were based upon the estimated effective income tax rate applicable for the full year after giving effect to any significant items related specifically to interim periods. The effective income tax rate can be impacted over the course of the fiscal year by the mix and timing of actual earnings from our U.S. and foreign sources versus annual projections and

changes in foreign currency exchange rates in relation to the U.S. Dollar. As a result, the Company's effective tax rate may fluctuate significantly on a quarterly basis.

The Company's income tax provision for the three months ended March 29, 2015 and March 30, 2014 resulted in tax expense of \$2,729 and \$4,476, respectively, with an effective tax rate of 21.9% and 50.1%, respectively. The Company's income tax provision for the nine months ended March 29, 2015 and March 30, 2014 resulted in tax expense of \$10,083 and \$14,151, respectively, with an effective tax rate of 28.3% and 42.3%, respectively.

The effective income tax rate for the current quarter and year-to-date period is lower than the U.S. statutory rate due to (i) the recognition of lower taxable income versus book income for an unconsolidated affiliate, (ii) a lower overall effective tax rate for the Company's foreign earnings, (iii) renewable energy credits and (iv) the domestic production activities deduction, partially offset by (v) state and local taxes and (vi) losses in tax jurisdictions for which no tax benefit could be recognized.

The effective income tax rate for the prior year periods is higher than the U.S. statutory rate due to (i) the impact of state and local taxes, (ii) the recognition of higher taxable versus book income for an unconsolidated affiliate for which the Company maintains a full valuation allowance, (iii) foreign dividends taxed in the U.S. and (iv) losses in tax jurisdictions for which no tax benefit could be recognized.

As of March 29, 2015, the Company's valuation allowance was \$17,355 and includes \$13,599 for reserves against certain domestic deferred tax assets primarily related to equity investments and foreign tax credits, as well as \$3,756 for reserves against certain deferred tax assets of the Company's foreign subsidiaries that are primarily related to net operating loss carryforwards and equity investments. The Company's valuation allowance as of June 29, 2014 was \$18,615. The decrease in the valuation allowance during the nine month period ended March 29, 2015 is attributable to the timing of the Company's recognition of lower taxable versus book income for an unconsolidated affiliate.

There have been no significant changes in the Company's liability for uncertain tax positions since June 29, 2014. The Company's estimate for the potential outcome for any uncertain tax issue is highly judgmental. Management believes that any reasonably foreseeable outcomes related to these matters have been adequately provided for. However, future results may include favorable or unfavorable adjustments to estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)**

The Company and its domestic subsidiaries file a consolidated federal income tax return, as well as income tax returns in numerous state and foreign jurisdictions. The tax years subject to examination vary by jurisdiction. The Company regularly assesses the outcomes of both completed and ongoing examinations to ensure that the Company's provision for income taxes is sufficient. Currently, the Company is subject to income tax examinations for U.S. federal income taxes for tax years 2011 through 2014, for foreign income taxes for tax years 2008 through 2014, and for state and local income taxes for tax years 2009 through 2014. The U.S. federal tax returns and state tax returns filed for the 2011 through 2013 tax years have utilized carryforward tax attributes generated in prior tax years, including net operating losses, which could potentially be revised upon examination.

**15. Shareholders' Equity**

During fiscal year 2014, the Company completed its repurchase of shares under its \$50,000 stock repurchase program that had been approved by the Board on January 22, 2013 (the "2013 SRP"). On April 23, 2014, the Board approved a new stock repurchase program (the "2014 SRP") to acquire up to an additional \$50,000 of the Company's common stock. Under the 2014 SRP (as was the case under the 2013 SRP), the Company has been authorized to repurchase shares at prevailing market prices, through open market purchases or privately negotiated transactions at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings under the Company's ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. The 2014 SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

The following table summarizes the Company's repurchases and retirements of its common stock under the 2013 SRP and the 2014 SRP.

	<b>Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs</b>	<b>Average Price Paid per Share</b>	<b>Maximum Approximate Dollar Value that May Yet Be Repurchased Under the 2014 SRP</b>
Fiscal year 2013	1,068	\$ 18.08	
Fiscal year 2014	1,524	\$ 23.96	

Fiscal year 2015 (through March 29, 2015)	149	\$ 28.00	
Total	2,741	\$ 21.89	\$ 40,011

All repurchased shares have been retired and have the status of authorized and unissued shares. The cost of the repurchased shares is recorded as a reduction to common stock to the extent of the par value of the shares acquired and the remainder is allocated between capital in excess of par value and retained earnings. The portion of the remainder that is allocated to capital in excess of par value is limited to a pro rata portion of capital in excess of par value.

No dividends were paid during the nine months ended March 29, 2015 or in the previous two fiscal years.

## 16. Stock-based Compensation

On October 23, 2013, the Company's shareholders approved the Unifi, Inc. 2013 Incentive Compensation Plan (the "2013 Plan"). The 2013 Plan replaced the 2008 Unifi, Inc. Long-Term Incentive Plan (the "2008 LTIP"). No additional awards will be granted under the 2008 LTIP; however, prior awards outstanding under the 2008 LTIP remain subject to that plan's provisions. The 2013 Plan authorized the issuance of 1,000 shares of common stock, subject to certain increases in the event outstanding awards under the 2008 LTIP expire, are forfeited or otherwise terminate unexercised.

### *Stock options*

During the nine months ended March 29, 2015 and March 30, 2014, the Company granted stock options to purchase 150 and 97 shares of common stock, respectively, to certain key employees. The stock options vest ratably over the required three-year service period and have ten-year contractual terms. For the nine months ended March 29, 2015 and March 30, 2014, the weighted average exercise price of the options was \$27.38 and \$22.31 per share, respectively. The Company used the Black-Scholes model to estimate the weighted average grant date fair value of \$17.31 and \$14.66 per share, respectively.

For options granted, the valuation models used the following assumptions:

	For the Nine Months Ended	
	March 29, 2015	March 30, 2014
Expected term (years)	7.3	7.4
Risk-free interest rate	2.2 %	2.1 %
Volatility	62.6 %	65.9 %
Dividend yield	—	—





**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)**

The Company uses historical data to estimate the expected term and volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant for periods corresponding with the expected term of the options.

A summary of stock option activity for the nine months ended March 29, 2015 is as follows:

	<b>Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at June 29, 2014	800	\$ 9.77		
Granted	150	\$ 27.38		
Exercised	(5 )	\$ 8.96		
Forfeited	(4 )	\$ 8.75		
Expired	—	\$ —		
Outstanding at March 29, 2015	941	\$ 12.60	5.8	\$ 21,775
Vested and expected to vest as of March 29, 2015	933	\$ 12.50	5.8	\$ 21,688
Exercisable at March 29, 2015	691	\$ 8.61	4.8	\$ 18,755

As of March 29, 2015, all options subject to a market condition were vested. During the quarter ended March 29, 2015, 10 options subject to a market condition vested when the closing price of the Company's common stock on the New York Stock Exchange was at least \$30 per share for thirty consecutive trading days.

At March 29, 2015, the remaining unrecognized compensation cost related to unvested stock options was \$1,762, which is expected to be recognized over a weighted average period of 2.2 years.

For the nine months ended March 29, 2015 and March 30, 2014, the total intrinsic value of options exercised was \$91, and \$12,826, respectively. The amount of cash received from the exercise of options was \$41 and \$3,056 and the tax benefit realized from stock options exercised was \$35 and \$4,930 for the nine months ended March 29, 2015 and March 30, 2014, respectively.

*Restricted stock units*

During the nine months ended March 29, 2015 and March 30, 2014, the Company granted 17 and 25 restricted stock units ("RSUs"), respectively, to the Company's non-employee directors. The director RSUs became fully vested on the grant date. The director RSUs convey no rights of ownership in shares of Company stock until such director RSUs have been distributed to the grantee in the form of Company stock. The vested director RSUs will be converted into an equivalent number of shares of Company common stock and distributed to the grantee following the grantee's termination of service as a member of the Board. The grantee may elect to defer receipt of the shares of stock in accordance with the deferral options provided under the Unifi, Inc. Director Deferred Compensation Plan. The Company estimated the fair value of such awards granted during the nine months ended March 29, 2015 and March 30, 2014 to be \$28.58 and \$23.23 per director RSU, respectively.

During July 2013, the Company granted 22 RSUs to certain key employees. The employee RSUs are subject to a vesting restriction and convey no rights of ownership in shares of Company stock until such employee RSUs have vested and been distributed to the grantee in the form of Company stock. The employee RSUs vest over a three-year period, and will be converted into an equivalent number of shares of stock (for distribution to the grantee) on each vesting date, unless the grantee has elected to defer the receipt of the shares of stock until separation from service. If, after the first anniversary of the grant date and prior to the final vesting date, the grantee has a separation from service without cause for any reason other than the employee's resignation, the remaining unvested employee RSUs will become fully vested and will be converted to an equivalent number of shares of stock and issued to the grantee. The Company estimated the fair value of such awards granted to be \$22.08 per employee RSU.

The Company estimates the fair value of RSUs based on the market price of the Company's common stock at the award grant date.

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)**

A summary of the RSU activity for the nine months ended March 29, 2015 is as follows:

	<b>Non-vested</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Vested</b>	<b>Total</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at June 29, 2014	49	\$ 16.11	152	201	\$ 14.19
Granted	17	\$ 28.58	—	17	\$ 28.58
Vested	(46 )	\$ 19.86	46	—	\$ 19.86
Converted	—	\$ —	(16 )	(16 )	\$ 14.06
Forfeited	—	\$ —	—	—	\$ —
Outstanding at March 29, 2015	20	\$ 18.35	182	202	\$ 15.45

At March 29, 2015, the number of RSUs vested and expected to vest was 202 with an aggregate intrinsic value of \$7,244. The aggregate intrinsic value of the 182 vested RSUs at March 29, 2015 was \$6,499.

The remaining unrecognized compensation cost related to the unvested RSUs at March 29, 2015 is \$99, which is expected to be recognized over a weighted average period of 1.2 years.

For the nine months ended March 29, 2015 and March 30, 2014, the total intrinsic value of RSUs converted was \$425 and \$696, respectively. The tax benefit realized from the conversion of RSUs was \$166 and \$275 for the nine months ended March 29, 2015 and March 30, 2014, respectively.

*Summary*

The total cost charged against income related to all stock-based compensation arrangements was as follows:

<b>For the Three Months Ended</b>	<b>For the Nine Months Ended</b>
---	--------------------------------------

	<b>March 29, 2015</b>	<b>March 30, 2014</b>	<b>March 29, 2015</b>	<b>March 30, 2014</b>
Stock options	\$495	\$ 280	\$1,458	\$718
RSUs	38	82	639	855
Total compensation cost	\$533	\$ 362	\$2,097	\$1,573

The total income tax benefit recognized for stock-based compensation was \$516 and \$444 for the nine months ended March 29, 2015 and March 30, 2014, respectively.

As of March 29, 2015, total unrecognized compensation costs related to all unvested stock-based compensation arrangements was \$1,861. The weighted average period over which these costs are expected to be recognized is 2.1 years.

As of March 29, 2015, a summary of the number of securities remaining available for future issuance under equity compensation plans is as follows:

Authorized under the 2013 Plan	1,000
Plus: Awards expired, forfeited or otherwise terminated unexercised from the 2008 LTIP	—
Less: Service-condition options granted	(155 )
Less: RSUs granted to non-employee directors	(42 )
Available for issuance under the 2013 Plan	803

## 17. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities

### Financial Instruments

The Company may use derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. The Company does not enter into derivative contracts for speculative purposes.

#### *Foreign currency forward contracts*

The Company may enter into foreign currency forward contracts as economic hedges for exposures related to certain sales, inventory purchases and equipment purchases which are denominated in currencies that are not its functional currency. Foreign currency forward contracts are not designated as hedges by the Company and are marked to market each period and offset by the foreign exchange (gains) losses included in other operating expense, net resulting from the underlying exposures of the foreign currency denominated assets and liabilities. As of March 29, 2015, there were no outstanding foreign currency forward contracts.



**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)***Interest rate swap*

On May 18, 2012, the Company entered into a five year, \$50,000 interest rate swap with Wells Fargo to provide a hedge against the variability of cash flows related to LIBOR-based variable rate borrowings under the Company's ABL Facility. It increased to \$85,000 in May 2013 (when certain other interest rate swaps terminated) and has decreased \$5,000 per quarter since August 2013 to the current notional balance of \$50,000 at March 29, 2015, where it will remain through the life of the instrument. This interest rate swap allows the Company to fix LIBOR at 1.06% and terminates on May 24, 2017.

On November 26, 2012, the Company de-designated the interest rate swap as a cash flow hedge. For the year-to-date periods ended March 29, 2015 and March 30, 2014, the Company reclassified pre-tax unrealized losses of \$212 and \$433, respectively, from accumulated other comprehensive loss to interest expense. The Company has recognized a pre-tax mark-to-market gain of \$19 and \$107 within interest expense for the nine months ended March 29, 2015 and March 30, 2014, respectively, related to this interest rate swap. See "Note 18. Accumulated Other Comprehensive Loss" for further discussion of the reclassifications of unrealized losses from accumulated other comprehensive loss.

*Contingent consideration*

On December 2, 2013, the Company acquired certain assets in a business combination with Dillon and recorded a contingent consideration liability, as described in "Note 4. Acquisition." The fair value of the contingent consideration is measured at each reporting period using a discounted cash flow methodology based on inputs not observable in the market (Level 3 classification in the fair value hierarchy). The inputs to the discounted cash flow model include the estimated payments through the term of the agreement based on an agreed-upon definition and schedule, adjusted to risk-neutral estimates using a market price of risk factor which considers relevant metrics of comparable entities, discounted using an observable cost of debt over the term of the estimated payments. Any change in the fair value from either the passage of time or events occurring after the acquisition date is recorded in other operating expense, net. A fiscal year 2015 decline in actual sales volume versus forecasted sales volume for the draw winding business has been considered in reflecting a slight decrease in expected future contingent payments, while no other inputs and assumptions used to develop the fair value measurement have changed since the acquisition date.

A reconciliation of the changes in the fair value follows:

Contingent consideration as of June 29, 2014	\$2,563
Change in fair value	21
Payments	(406 )
Contingent consideration as of March 29, 2015	\$2,178

Based on the present value of the expected future payments, \$570 is reflected in accrued expenses and \$1,608 is reflected in other long-term liabilities.

The Company's financial assets and liabilities accounted for at fair value on a recurring basis and the level within the fair value hierarchy used to measure these items are as follows:

<b><u>As of March 29, 2015</u></b>	<b>Notional Amount</b>	<b>USD Equivalent</b>	<b>Balance Sheet Location</b>	<b>Fair Value Hierarchy</b>	<b>Fair Value</b>
Foreign currency contracts	EUR —	\$ —	Other current assets	Level 2	\$—
Interest rate swap	USD \$50,000	\$ 50,000	Other long-term liabilities	Level 2	\$344
Contingent consideration	—	—	Accrued expenses and other long-term liabilities	Level 3	\$2,178

<b><u>As of June 29, 2014</u></b>	<b>Notional Amount</b>	<b>USD Equivalent</b>	<b>Balance Sheet Location</b>	<b>Fair Value Hierarchy</b>	<b>Fair Value</b>
Foreign currency contracts	EUR 495	\$ 668	Other current assets	Level 2	\$7
Interest rate swap	USD \$65,000	\$ 65,000	Other long-term liabilities	Level 2	\$363
Contingent consideration	—	—	Accrued expenses and other long-term liabilities	Level 3	\$2,563

(EUR represents the Euro)



**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)**

Estimates for the fair value of the Company's foreign currency forward contracts and interest rate swaps are derived from month-end market quotes for contracts with similar terms.

The effect of marked to market hedging derivative instruments was as follows:

<u>Derivatives not designated as hedges</u>		<u>Classification</u>		<b>For the Three Months Ended March 29, 2015</b>		<b>March 30, 2014</b>	
Foreign currency contracts	Other operating expense, net	\$—	\$ 3				
Interest rate swap	Interest expense	227	(99 )				
Total loss (gain) recognized in income		\$227	\$ (96 )				

<u>Derivatives not designated as hedges</u>		<u>Classification</u>		<b>For the Nine Months Ended March 29, 2015</b>		<b>March 30, 2014</b>	
Foreign currency contracts	Other operating expense, net	\$7	\$ (19 )				
Interest rate swap	Interest expense	(19)	(107 )				
Total gain recognized in income		\$(12)	\$(126 )				

By entering into derivative instrument contracts, the Company exposes itself to counterparty credit risk. The Company attempts to minimize this risk by selecting counterparties with investment grade credit ratings, limiting the amount of exposure to any single counterparty and regularly monitoring its market position with each counterparty. The Company's derivative instruments do not contain any credit-risk-related contingent features.

The Company believes that there have been no significant changes to its credit risk profile or the interest rates available to the Company for debt issuances with similar terms and average maturities and the Company estimates that the fair values of its debt obligations approximate the carrying amounts. Other financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair value due to their short-term nature.

There were no transfers into or out of the levels of the fair value hierarchy for the nine months ended March 29, 2015.

### Non-Financial Assets and Liabilities

The Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring basis.

### 18. Accumulated Other Comprehensive Loss

The components and the changes in accumulated other comprehensive loss, net of tax, as applicable, consist of the following:

	<b>Foreign Currency Translation Adjustments</b>	<b>Unrealized Loss On Interest Rate Swap</b>	<b>Accumulated Other Comprehensive Loss</b>
Balance at June 29, 2014	\$ (4,241 )	\$ (378 )	\$ (4,619 )
Other comprehensive (loss) income, net of tax	(23,677 )	212	(23,465 )
Balance at March 29, 2015	\$ (27,918 )	\$ (166 )	\$ (28,084 )

A summary of the pre-tax, tax and after-tax effects of the components of other comprehensive loss for the quarters ended March 29, 2015 and March 30, 2014 is provided as follows:

	<b>For the Three Months Ended March 29, 2015</b>		
	<b>Pre-tax</b>	<b>Tax</b>	<b>After-tax</b>
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$(10,368)	\$ —	\$(10,368 )
Foreign currency translation adjustments for an unconsolidated affiliate	(414 )	—	(414 )
Reclassification adjustment on cash flow hedge	19	—	19
Other comprehensive loss	\$(10,763)	\$ —	\$(10,763 )

**Unifi, Inc.****Notes to Condensed Consolidated Financial Statements – (Continued)**

	<b>For the Three Months Ended March 30, 2014</b>		
	<b>Pre-tax</b>	<b>Tax</b>	<b>After-tax</b>
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$1,850	\$ —	\$ 1,850
Reclassification adjustment on cash flow hedge	133	—	133
Other comprehensive income	\$1,983	\$ —	\$ 1,983

A summary of the pre-tax, tax and after-tax effects of the components of other comprehensive loss for the nine months ended March 29, 2015 and March 30, 2014 is provided as follows:

	<b>For the Nine Months Ended March 29, 2015</b>		
	<b>Pre-tax</b>	<b>Tax</b>	<b>After-tax</b>
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$(22,892)	\$ —	\$(22,892 )
Foreign currency translation adjustments for an unconsolidated affiliate	(785 )	—	(785 )
Reclassification adjustment on cash flow hedge	212	—	212
Other comprehensive loss	\$(23,465)	\$ —	\$(23,465 )

	<b>For the Nine Months Ended March 30, 2014</b>		
	<b>Pre-tax</b>	<b>Tax</b>	<b>After-tax</b>
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$(1,612)	\$ —	\$(1,612 )
Reclassification adjustment on cash flow hedge	433	—	433
Other comprehensive loss	\$(1,179)	\$ —	\$(1,179 )

**19. Computation of Earnings Per Share**

The computation of basic and diluted earnings per share (“EPS”) is as follows:

<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
<b>March 29, 2015</b>	<b>March 30, 2014</b>	<b>March 29, 2015</b>	<b>March 30, 2014</b>