NUVEEN MASSACHUSETTS DIVIDEND ADVANTAGE MUNICIPAL FUND
Form N-PX
August 31, 2004

FORM N-PX

ANNUAL REPORT OF PROXY VOTING RECORD OF

REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-09451

Nuveen Massachusetts Dividend Advantage Municipal Fund

(Exact name of registrant as specified in charter)

333 West Wacker Drive, Chicago, Illinois 60606

(Address of principal executive offices) (Zip Code)

Jessica R. Droeger - Vice President and Secretary

(Name and address of agent for service)

Registrant s telephone number, including area code: 312-917-7700

Date of fiscal year-end: December 31

Date of reporting period: June 30, 2004

Item 1. Proxy Voting Record

The Registrant did not hold any voting securities and accordingly did not vote any proxies during the reporting period.

SIGNATURES:

Pursuant to the requirements of the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Nuveen Massachusetts Dividend Advantage Municipal Fund

By

/s/ Jessica R. Droeger - Vice President and Secretary

Date

August 31, 2004

t;text-indent:0%;font-family:Times New Roman;font-size:10pt;font-weight:normal;font-style:normal;text-transform:none;font-variant: normal;">The increase in Segment Profit for the International Segment was attributable to (i) increased sales volumes, as described in the net sales analysis above, (ii) improved margins in Brazil due to a mix of higher-margin manufactured products (including PVA products) and improved cost efficiency associated with greater production volumes and (iii) net favorable foreign currency translation effects due to the strengthening of the Brazilian Real versus the U.S. Dollar.

International Segment net sales and Segment profit as a percentage of total consolidated amounts were 26.8% and 39.0%, respectively, for fiscal 2017, compared to 19.0% and 25.6%, respectively, for fiscal 2016.

Consolidated Selling, General & Administrative Expenses

The change in SG&A expenses is as follows:

SG&A expenses for fiscal 2016	$47,502
Net increase for external service providers	2,386
Increase in supplemental retirement plan expenses	640
Increase due to foreign currency translation	465
Increase in incentive compensation expenses	410
Decrease in sales, franchise and property taxes	(533)
Other net decreases	(41)
SG&A expenses for fiscal 2017	$50,829

Total SG&A expenses were higher for fiscal 2017 compared to fiscal 2016, primarily as a result of (i) a net increase in fees paid to external service providers, including audit, legal, tax, consulting, marketing and branding services, many of which related to strategic planning, talent acquisition and commercial expansion, (ii) an increase in supplemental retirement plan expenses driven by comparatively stronger performance of the equity index benchmark, (iii) an increase in foreign currency translation primarily due to the strengthening of the Brazilian Real versus the U.S. Dollar and (iv) an increase in incentive compensation expenses due to favorable performance against established targets, partially offset by a decrease in non-income related taxes and other net decreases.

UNIFI expects SG&A expenses to further increase from fiscal 2017 to fiscal 2018 due to planned spending on commercial expansion, additional technology and innovation, new partnerships and talent acquisition.

Consolidated (Benefit) Provision for Bad Debts

(Benefit) provision for bad debts changed favorably from a provision of $1,684 for fiscal 2016 to a benefit of $123 for fiscal 2017. The benefit to fiscal 2017 reflects a net decrease in the reserve against specifically identified customer balances in the Polyester and International Segments.

Consolidated Other Operating (Income) Expense, Net

Other operating (income) expense, net changed favorably from $2,248 of expense for fiscal 2016 to $310 of income for fiscal 2017. Other operating (income) expense, net for fiscal 2017 primarily includes favorable foreign currency exchange rates, while the total for fiscal 2016 primarily includes key employee transition costs.

Consolidated Interest Expense, Net

Interest expense, net increased from $2,918 for fiscal 2016 to $3,061 for fiscal 2017, and reflected the following components:

	For the Fiscal Year Ended	
	June 25, 2017	June 26, 2016
Interest and fees on the ABL Facility	$3,032	$2,903
Other interest	1,021	885
Subtotal of interest on debt obligations	4,053	3,788
Amortization of debt financing fees	390	407
Mark-to-market adjustment for interest rate swap	(260)	(20)
Reclassification adjustment for interest rate swap	70	77
Interest capitalized to property, plant and equipment, net	(675)	(724)
Subtotal of other components of interest expense	(475)	(260)
Total interest expense	3,578	3,528
Interest income	(517)	(610)
Interest expense, net	$3,061	$2,918

Interest on debt obligations increased from fiscal 2016 to fiscal 2017 in connection with an increase in the weighted average interest rate and an increase in capital lease obligations.

The change in other components of interest expense from the prior period is primarily attributable to a favorable change in the mark-to-market adjustment for the historical interest rate swap.

Interest income in each period includes earnings recognized on cash equivalents held globally.

Loss on Sale of Business

On December 23, 2016, UNIFI, through a wholly owned foreign subsidiary, entered into an agreement to sell its 60% equity ownership interest in Renewables to its existing third-party joint venture partner for $500 in cash and release of certain debt obligations. In connection with the transaction, UNIFI recognized a loss on sale of business of $1,662.

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Consolidated Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	For the Fiscal Year Ended	
	June 25, 2017	June 26, 2016
Earnings from PAL	$(2,723)	$(6,074)
Earnings from nylon joint ventures	(1,507)	(2,889)
Total equity in earnings of unconsolidated affiliates	$(4,230)	$(8,963)
As a percentage of consolidated income before income taxes	9.8 %	18.6 %

UNIFI's 34% share of PAL's earnings decreased from $6,074 in fiscal 2016 to $2,723 in fiscal 2017. The decrease is primarily attributable to lower volumes and operating margins, mostly as a result of a challenging domestic cotton market. The earnings from the nylon joint ventures experienced a decrease primarily due to higher raw material costs and softness in the nylon markets.

Consolidated Income Taxes

The change in consolidated income taxes is as follows:

	For the Fiscal Year Ended	
	June 25, 2017	June 26, 2016
Income before income taxes	$43,275	$48,243
Provision for income taxes	10,898	15,073
Effective tax rate	25.2 %	31.2 %

The effective tax rate for fiscal 2017 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI's foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) increased research and development credits, (iii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI's investment in PAL (for which UNIFI maintains a full valuation allowance) and (iv) a reduction in the valuation allowance related to foreign net operating losses utilized in 2017. Such favorable impacts to the fiscal 2017 effective tax rate were partially offset by (a) a reduction in the domestic production activities deduction due to the carryback of certain losses, (b) a change in uncertain tax positions and (c) withholding taxes on repatriation of foreign earnings.

The effective tax rate for fiscal 2016 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI's foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI's investment in PAL (for which UNIFI maintains a full valuation allowance) and (iii) a reduction in the valuation allowance related to foreign tax credits utilized in 2016. Such favorable impacts to the fiscal 2016 effective tax rate were partially offset by (a) utilization of foreign tax credits, (b) an increase in the valuation allowance for net operating losses, including Renewables, for which no tax benefit could be recognized, (c) state and local taxes net of the assumed federal benefit and (d) a change in uncertain tax positions.

The favorable change in the effective tax rate from fiscal 2016 to fiscal 2017 is primarily attributable to both a greater mix of foreign earnings and increased research and development credits in fiscal 2017.

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Consolidated Net Income Attributable to Unifi, Inc.

Net Income for fiscal 2017 was $32,875, or $1.81 per basic share, compared to $34,415, or $1.93 per basic share, for fiscal 2016. The decrease was primarily attributable to (i) lower earnings from equity affiliates and (ii) an increase in SG&A expenses, partially offset by (a) the recognition of a benefit for bad debts, (b) a lower effective tax rate and (c) favorable foreign currency exchange rates. Gross profit improved slightly versus the prior fiscal year due to growth in sales of PVA products, especially in the International Segment, which was partially offset by a difficult domestic environment and fluctuating virgin polyester raw material costs temporarily depressing domestic gross margins.

Consolidated Adjusted EBITDA

From fiscal 2016 to fiscal 2017, Adjusted EBITDA increased from $65,357 to $65,593. The increase is primarily attributable to growth in sales of PVA products, a benefit for bad debts, and favorable foreign currency exchange rates, partially offset by certain volume declines attributable to a difficult domestic retail environment and higher SG&A expenses.

Review of Fiscal 2016 Results of Operations Compared to Fiscal 2015

Consolidated Overview

The components of Net Income, each component as a percentage of net sales and the percentage increase or decrease over the prior fiscal year amounts are presented in the table below. Fiscal 2016 and 2015 both were comprised of 52 weeks.

	For the Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$643,637	100.0	$687,121	100.0	(6.3)
Cost of sales	550,005	85.5	596,416	86.8	(7.8)
Gross profit	93,632	14.5	90,705	13.2	3.2
Selling, general and administrative expenses	47,502	7.4	49,672	7.2	(4.4)
Provision for bad debts	1,684	0.2	947	0.2	77.8
Other operating expense, net	2,248	0.3	1,600	0.2	40.5
Operating income	42,198	6.6	38,486	5.6	9.6
Interest expense, net	2,918	0.5	3,109	0.4	(6.1)
Loss on extinguishment of debt	—	—	1,040	0.2	(100.0)
Earnings from unconsolidated affiliates	(8,963)	(1.4)	(19,475)	(2.8)	(54.0)
Income before income taxes	48,243	7.5	53,812	7.8	(10.3)
Provision for income taxes	15,073	2.4	13,346	1.9	12.9
Net income including non-controlling interest	33,170	5.1	40,466	5.9	(18.0)
Less: net loss attributable to non-controlling interest	(1,245)	(0.2)	(1,685)	(0.2)	(26.1)
Net income attributable to Unifi, Inc.	$34,415	5.3	$42,151	6.1	(18.4)

Consolidated Net Sales

Consolidated net sales for fiscal 2016 decreased by $43,484, or 6.3%, as compared to fiscal 2015.

Consolidated sales volumes decreased 0.7%, concentrated in the Polyester and Nylon Segments, while volumes in the International Segment increased. The slight overall decline in sales volumes was attributable to (i) UNIFI's strategic exiting of specific low-margin business and (ii) domestic market softness and supply chain adjustments, partially offset by increased global demand for our PVA yarns.

Consolidated sales pricing declined 5.6%, primarily due to (i) the devaluation of certain foreign currencies versus the U.S. Dollar (approximately $31,000), (ii) a lower proportion of nylon in our product mix and (iii) lower pricing in the Polyester and Nylon Segments as a result of lower raw material costs, partially offset by pricing improvements attributable to the continued success of PVA programs. PVA products comprised approximately 35% of UNIFI's consolidated net sales for fiscal 2016 as compared to approximately 30% for fiscal 2015.

Consolidated Gross Profit

Gross profit for fiscal 2016 increased by $2,927, or 3.2%, as compared to fiscal 2015, reflecting strength in the International Segment, partially offset by decreases in the Polyester and Nylon Segments. Gross profit increased for the International Segment due to (i) an increase in sales volumes and margins for our Chinese subsidiary from PVA sales growth and (ii) improved margins in Brazil, partially offset by unfavorable foreign currency translation due to the devaluation of the Brazilian Real and Chinese Renminbi versus the U.S. Dollar. Lower gross profit for the Polyester Segment was primarily attributable to lower sales volumes. Gross profit decreased for the Nylon Segment primarily due to lower sales volumes and devaluation of the Colombian Peso versus the U.S. Dollar, partially offset by improved overall manufacturing efficiencies.

Further details regarding the changes in net sales and gross profit from fiscal 2015 to fiscal 2016 by reportable segment follow.

Polyester Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Polyester Segment are as follows:

	For the Fiscal Year Ended June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$383,167	100.0	$396,239	100.0	(3.3)
Cost of sales	333,638	87.1	345,462	87.2	(3.4)
Gross profit	49,529	12.9	50,777	12.8	(2.5)
Depreciation expense	11,188	2.9	10,579	2.7	5.8
Segment Profit	$60,717	15.8	$61,356	15.5	(1.0)

The change in net sales for the Polyester Segment is as follows:

Net sales for fiscal 2015	$396,239
Decrease in average selling price	(8,150)
Decrease in sales volumes	(4,922)
Net sales for fiscal 2016	$383,167

The decrease in net sales for the Polyester Segment was attributable to lower sales prices as a result of lower raw material costs (approximately 10% for virgin polyester raw materials), partially offset by an improved sales mix (due to our focus on growing PVA sales). Decreased sales volumes are primarily attributable to (i) the strategic exiting of specific lower-margin commodity business and (ii) lower demand in certain sectors of the retail market, partially offset by growth of PVA yarn volumes.

The change in Segment Profit for the Polyester Segment is as follows:

Segment Profit for fiscal 2015	$61,356
Decrease in sales volumes	(761)
Increase in underlying margins	122
Segment Profit for fiscal 2016	$60,717

The decrease in Segment Profit for the Polyester Segment was attributable to lower sales volumes, as discussed in the net sales analysis above, and an increase in manufacturing costs, partially offset by the favorable impact of mix

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enrichment achieved through increased demand for our PVA yarns. Segment Profit, as a percentage of net sales, grew over fiscal 2015, demonstrating mix enrichment.

Polyester Segment net sales and Segment Profit as a percentage of total consolidated amounts were 59.5% and 56.0%, respectively, for fiscal 2016, compared to 57.7% and 58.1%, respectively, for fiscal 2015.

Nylon Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Nylon Segment are as follows:

	For the Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$131,715	100.0	$149,612	100.0	(12.0)
Cost of sales	113,906	86.5	130,644	87.3	(12.8)
Gross profit	17,809	13.5	18,968	12.7	(6.1)
Depreciation expense	1,899	1.5	1,798	1.2	5.6
Segment Profit	$19,708	15.0	$20,766	13.9	(5.1)

The change in net sales for the Nylon Segment is as follows:

Net sales for fiscal 2015	$149,612
Decrease in sales volumes	(13,457)
Decrease in average selling price and change in sales mix	(3,173)
Unfavorable foreign currency translation effects	(1,267)
Net sales for fiscal 2016	$131,715

The decrease in net sales for the Nylon Segment was primarily attributable to (i) lower sales volumes as a result of domestic market weakness and certain inventory adjustments in the supply chain, (ii) a decrease in pricing following the decline in raw material costs, and (iii) currency devaluation of the Colombian Peso versus the U.S. Dollar.

The change in Segment Profit for the Nylon Segment is as follows:

Segment Profit for fiscal 2015	$20,766
Decrease in sales volumes	(1,867)
Unfavorable foreign currency translation effects (Colombian Peso)	(329)
Improvement in underlying margins	1,138
Segment Profit for fiscal 2016	$19,708

The decrease in Segment Profit for the Nylon Segment was primarily attributable to (i) lower sales volumes, as discussed in the net sales analysis above and (ii) the unfavorable impact of currency devaluation of the Colombian Peso versus the U.S. Dollar. These decreases were partially offset by improved manufacturing efficiencies.

Nylon Segment net sales and Segment Profit as a percentage of total consolidated amounts were 20.5% and 18.2%, respectively, for fiscal 2016, compared to 21.8% and 19.7%, respectively, for fiscal 2015.

International Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the International Segment are as follows:

	For the Fiscal Year Ended				
	June 26, 2016		June 28, 2015		
		% of Net Sales		% of Net Sales	% Change
Net sales	$122,554	100.0	$134,992	100.0	(9.2)
Cost of sales	95,666	78.1	113,556	84.1	(15.8)
Gross profit	26,888	21.9	21,436	15.9	25.4
Depreciation expense	885	0.8	1,997	1.5	(55.7)
Segment Profit	$27,773	22.7	$23,433	17.4	18.5

The change in net sales for the International Segment is as follows:

Net sales for fiscal 2015	$134,992
Unfavorable foreign currency translation effects (Brazilian Real and Chinese Renminbi)	(29,761)
Improvement in average selling price and change in sales mix	14,233
Increase in sales volumes	3,090
Net sales for fiscal 2016	$122,554

The decrease in net sales for the International Segment was primarily attributable to unfavorable foreign currency translation effects due to the devaluation of the Brazilian Real versus the U.S. Dollar (using a weighted average exchange rate of 3.67 Real/U.S. Dollar and 2.66 Real/U.S. Dollar for fiscal 2016 and 2015, respectively) and weakening of the Chinese Renminbi versus the U.S. Dollar. PVA portfolio growth and favorable product and price mix in Brazil led to improvements in underlying average selling price and sales mix. In addition, our Brazilian subsidiary gained market share during the second half of fiscal 2016 as a local competitor closed its operations.

The change in Segment Profit for the International Segment is as follows:

Segment Profit for fiscal 2015	$23,433
Improvements in underlying margins	9,098
Increase in sales volumes	516
Unfavorable foreign currency translation effects (Brazilian Real and Chinese Renminbi)	(5,274)
Segment Profit for fiscal 2016	$27,773

The increase in Segment Profit for the International Segment was attributable to (i) improved margins in Brazil based on a greater mix of higher-margin manufactured PVA products as well as increased unit conversion margin for both manufactured and resale yarns, (ii) improved margins in China due to the continued growth of PVA programs in Asia and (iii) higher sales volumes as noted in the net sales analysis above. The increase was partially offset by unfavorable foreign currency translation effects due to the devaluation of both the Brazilian Real and Chinese Renminbi against the U.S. Dollar.

International Segment net sales and Segment profit as a percentage of total consolidated amounts were 19.0% and 25.6%, respectively, for fiscal 2016, compared to 19.6% and 22.2%, respectively, for fiscal 2015.

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Consolidated Selling, General & Administrative Expenses

The change in SG&A expenses is as follows:

SG&A expenses for fiscal 2015	$49,672
Decrease in variable compensation	(1,231)
Decrease in non-cash compensation expenses	(647)
Decrease in depreciation and amortization expenses	(304)
Increase in consumer marketing and branding expenses	888
Decrease due to foreign currency translation and other net activity	(876)
SG&A expenses for fiscal 2016	$47,502

Total SG&A expenses were lower versus the prior fiscal year, primarily attributable to (i) a decrease in variable compensation expense due to a smaller pool of executive officers in fiscal 2016, (ii) a decrease in non-cash compensation expense reflecting (a) lower expense for an unfunded supplemental retirement plan driven by lower market performance for an equity index during fiscal 2016 and (b) a comparative decline in the quantity of stock option awards vesting, (iii) a decrease in depreciation and amortization expenses due to lower amortization of customer lists and (iv) a decrease due to the impact of foreign currency translation. These decreases were partially offset by an increase in consumer marketing and branding expenses resulting from the timing and magnitude of expenses for advertising and sponsorship agreements, primarily for REPREVE®.

Consolidated Provision for Bad Debts

Provision for bad debts increased from $947 for fiscal 2015 to $1,684 for fiscal 2016. The increase primarily reflects a provision for a specific Polyester customer balance, for which UNIFI had determined a full recovery to be unlikely.

Consolidated Other Operating Expense, Net

Other operating expense, net increased from $1,600 for fiscal 2015 to $2,248 for fiscal 2016.

The increase was driven by the incurrence of consulting and transition fees related to former executives of UNIFI ($1,293), partially offset by a year-over-year decrease in the net impact of asset disposals ($765). During fiscal 2015, Renewables recorded a loss on disposal of assets of $1,322 (before non-controlling interest) relating to certain miscanthus grass which would not be used in the future. Also in fiscal 2015, UNIFI recognized a gain on sale of assets of $630 relating to the sale of certain land and building assets historically utilized for warehousing in the Polyester Segment.

Consolidated Interest Expense, Net

Interest expense, net decreased from $3,109 for fiscal 2015 to $2,918 for fiscal 2016, and reflected the following components:

	For the Fiscal Year Ended	
	June 26, 2016	June 28, 2015
Interest and fees on ABL Facility	$2,903	$3,290
Other interest	885	273
Subtotal of interest on debt obligations	3,788	3,563
Amortization of debt financing fees	407	505
Mark-to-market adjustment for interest rate swap	(20)	(83)
Reclassification adjustment for interest rate swap	77	231
Interest capitalized to property, plant and equipment, net	(724)	(191)
Subtotal of other components of interest expense	(260)	462
Total interest expense	3,528	4,025
Interest income	(610)	(916)
Interest expense, net	$2,918	$3,109

Interest and fees on the ABL Facility decreased in connection with a decline in the weighted average interest rate from 2.8% to 2.3%, partially offset by $177 of fees incurred in fiscal 2016 in connection with the first annual principal reset of the term loan.

The increase in other interest reflects an increase in the average capital lease obligation from $6,286 to $17,583.

UNIFI capitalized more interest in fiscal 2016, driven by increased capital expenditures, the majority of which relate to the construction of a plastic bottle processing facility.

Interest income in each period includes earnings recognized on cash equivalents held globally. Interest income decreased from fiscal 2015 due to a lower average balance of interest-bearing cash equivalents held by our Brazilian subsidiary (where interest rates are highest among UNIFI's subsidiaries) and changes in foreign currency translation attributable to the devaluation of the Brazilian Real against the U.S. Dollar.

Loss on Extinguishment of Debt

UNIFI's amendment of its credit facility during fiscal 2015 established substantially different terms for the term loan portion of the facility (including the replacement of an existing lender), and led UNIFI to record a loss on extinguishment of debt of $1,040 for the write-off of certain debt financing fees related to the previous credit agreement.

Consolidated Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	For the Fiscal Year Ended June 26, 2016	June 28, 2015
Earnings from PAL	$(6,074)	$(17,403)
Earnings from nylon joint ventures	(2,889)	(2,072)
Total equity in earnings of unconsolidated affiliates	$(8,963)	$(19,475)
As a percentage of consolidated income before income taxes	18.6 %	36.2 %

For fiscal 2016, PAL's corresponding fiscal period consisted of 52 weeks. For fiscal 2015, PAL's corresponding fiscal period consisted of 53 weeks.

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UNIFI's 34% share of PAL's earnings decreased from $17,403 in fiscal 2015 to $6,074 in fiscal 2016. The decrease is primarily attributable to (i) two bargain purchase gains (combined total of approximately $14,000 for PAL, which equates to approximately $4,700 for UNIFI) recognized in fiscal 2015 by PAL from the acquisitions of (a) a yarn manufacturer based in Mexico for which PAL previously held a 50% ownership interest and (b) two cotton spinning facilities in the United States, (ii) lower volumes related to domestic market weakness, (iii) higher start-up and depreciation expenses in connection with recent expansions and (iv) lower operating margins primarily as a result of competitive price pressure.

The remaining change in earnings from unconsolidated affiliates relates to improved combined operating results for UNIFI's two nylon extrusion joint ventures that supply POY to UNIFI's Nylon Segment, resulting from lower raw material costs.

Consolidated Income Taxes

The change in consolidated income taxes is as follows:

	For the Fiscal Year Ended	
	June 26, 2016	June 28, 2015
Income before income taxes	$48,243	$53,812
Provision for income taxes	15,073	13,346
Effective tax rate	31.2 %	24.8 %

The effective tax rates for fiscal 2016 and 2015 were favorably impacted by, among other things (i) a lower overall effective tax rate for UNIFI's foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) net federal and state credits, (iii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI's investment in PAL (for which UNIFI maintains a full valuation allowance) and (iv) the domestic production activities deduction. Such favorable impacts to the fiscal 2016 and 2015 effective tax rates were partially offset by (a) an increase in the valuation allowance for net operating losses, including Renewables, for which no tax benefit could be recognized, (b) state and local taxes net of the assumed federal benefit and (c) a change in uncertain tax positions.

The effective tax rate increased from 24.8% in fiscal 2015 to 31.2% in fiscal 2016, primarily attributable to certain impacts to the fiscal 2015 effective tax rate that were not components of the fiscal 2016 effective tax rate. In fiscal 2015, the effective tax rate was driven lower by (i) the reversal of the deferred tax liability reflecting UNIFI's indefinite reinvestment assertion at that time, generating a benefit of $7,639 and (ii) renewable energy tax credits of $1,036 relating to the installation of a solar farm in Yadkinville, North Carolina. These benefits were partially offset by the unfavorable impact of settling certain intercompany transactions involving UNIFI's Brazilian subsidiary, approximating $6,000.

Consolidated Net Income Attributable to Unifi, Inc.

Net Income for fiscal 2016 was $34,415, or $1.93 per basic share, compared to $42,151, or $2.32 per basic share, for fiscal 2015. After considering the loss on extinguishment of debt of $1,040 recorded in fiscal 2015, the decrease in Net Income is primarily attributable to (i) a decrease in earnings from PAL (as discussed above), (ii) a more favorable effective tax rate in fiscal 2015, (iii) further unfavorable devaluation of the Brazilian Real versus the U.S. Dollar and (iv) an increase in the provision for bad debts, partially offset by (a) an increase in gross profit, (b) a decrease in SG&A expenses and (c) improved earnings from our nylon joint ventures.

Consolidated Adjusted EBITDA

From fiscal 2015 to fiscal 2016, Adjusted EBITDA increased from $59,610 to $65,357. As addressed above, the improvement in gross profit was the primary driver for the increase in Adjusted EBITDA.

Liquidity and Capital Resources

UNIFI's primary capital requirements are for working capital, capital expenditures, debt service and stock repurchases. UNIFI's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver of its credit facility. For fiscal 2017, cash generated from operations was $46,062, and at June 25, 2017, excess availability under the ABL Revolver was $65,064.

As of June 25, 2017, all of UNIFI's $129,468 of debt obligations were guaranteed by certain of its domestic operating subsidiaries, while nearly all of UNIFI's cash and cash equivalents were held by its foreign subsidiaries. Cash and cash equivalents held by such other subsidiaries may not be presently available to fund UNIFI's domestic capital requirements, including its domestic debt obligations. UNIFI employs a variety of tax planning and financing strategies to ensure that its worldwide cash is available in the locations where it is needed. The following table presents a summary of cash and cash equivalents, liquidity, working capital and total debt obligations as of June 25, 2017 for domestic operations compared to foreign operations:

	Domestic	Foreign	Total
Cash and cash equivalents	$18	$35,407	$35,425
Borrowings available under financing arrangements	65,064	—	65,064
Liquidity	$65,082	$35,407	$100,489
Working capital	$78,799	$88,784	$167,583
Total debt obligations	$129,468	$—	$129,468

UNIFI received a $6,800 dividend distribution from PAL on June 28, 2017, subsequent to UNIFI's fiscal 2017.

As of June 25, 2017, U.S. income taxes were not provided for a cumulative total of approximately $80,300 of undistributed earnings and profits of UNIFI's foreign subsidiaries as UNIFI currently intends to reinvest these earnings in these foreign operations indefinitely. If at a later date, these earnings were repatriated to the United States, UNIFI would be required to pay taxes on these amounts. Nevertheless, in future periods, UNIFI will continue to assess the existing circumstances, including any changes in tax laws, and reevaluate the necessity for any deferred tax liability. Determination of the amount of any deferred tax liability on these undistributed earnings is not practicable.

Debt Obligations

The following table presents the total balances outstanding for UNIFI'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 June 25, 2017	Principal Amounts as of June 25, 2017	June 26, 2016
ABL Revolver	March 2020	2.8%	$9,300	$6,200
ABL Term Loan [1]	March 2020	3.0%	95,000	90,250
Capital lease obligations	(2)	3.8%	25,168	15,798
Construction financing	(3)	(3)	—	6,629
Renewables' term loan	—	—	—	4,000
Renewables' promissory note	—	—	—	135
Total debt			129,468	123,012
Current portion of capital lease obligations			(7,060)	(4,261)
Current portion of other long-term debt			(10,000)	(9,525)
Unamortized debt issuance costs			(1,026)	(1,421)
Total long-term debt			$111,382	$107,805

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for capital lease obligations range from July 2018 to November 2027.
(3) Refer to the discussion below under the subheading "—Construction Financing" for further information.

ABL Facility

On March 26, 2015, Unifi, Inc. and its subsidiary, Unifi Manufacturing, Inc., entered into an Amended and Restated Credit Agreement (as subsequently amended, 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 a term loan that can be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions are met (the "ABL Term Loan"). Such principal increases occurred in both November 2015 and November 2016 as discussed in further detail below. The ABL Facility has a maturity date of March 26, 2020.

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.

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with all 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 UNIFI) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

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 1.00 becomes effective. The Trigger Level as of June 25, 2017 was $24,375. In addition, the ABL Facility contains restrictions on particular payments and investments, including certain restrictions on the payment of dividends and share repurchases. Subject to specific provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at UNIFI'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 (as defined below) plus an applicable margin of 0.50% to 1.00%, with interest currently being paid on a monthly basis. The applicable margin is based on (i) the excess availability under the ABL Revolver and (ii) the consolidated leverage ratio, calculated as of the end of each fiscal quarter. The Base Rate means the greater of (a) the prime lending rate as publicly announced from time to time by Wells Fargo, (b) the Federal Funds Rate plus 0.5% and (c) LIBOR plus 1.0%. UNIFI'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%.

As of June 25, 2017, UNIFI was in compliance with all financial covenants and the excess availability under the ABL Revolver was $65,064. At June 25, 2017, the fixed charge coverage ratio was 0.84 to 1.0 and UNIFI had $400 of standby letters of credit, none of which have been drawn upon.

Second Amendment

On November 19, 2015, UNIFI entered into the Second Amendment to Amended and Restated Credit Agreement (the "Second Amendment"). The Second Amendment increased the percentage applied to real estate valuations, on a one-time basis, from 60% to 75%, for purposes of calculating the ABL Term Loan collateral. Simultaneous to entering into the Second Amendment, UNIFI entered into the Fourth Amended and Restated Term Note, thereby resetting the ABL Term Loan balance to $95,000.

Capital Lease Obligations

During fiscal 2017, UNIFI recorded capital leases with an aggregate present value of $14,070, inclusive of the reclassification activity described below under the subheading "—Construction Financing." The weighted average interest rate for these capital leases is 3.9%.

During fiscal 2016, UNIFI entered into capital leases with an aggregate present value of $4,154.

Construction Financing

During fiscal 2016, UNIFI entered into an agreement with a third-party lender that provided for construction-period financing for certain build-to-suit assets. UNIFI recorded project costs to construction in progress and the corresponding liability to construction financing (within long-term debt). As of June 26, 2016, the principal balance of $6,629 included $790 of cash received by UNIFI and $5,839 for construction in progress paid by the third-party lender.

During fiscal 2017, asset construction was completed and the project costs were reclassified from construction in progress to capital lease assets. The principal balance of $13,725 was reclassified to capital lease obligations and amortizes over a five-year period on a monthly basis through May 2022, with an interest rate of 3.8%.

Renewables' Term Loan and Promissory Note

During the period that UNIFI held a controlling interest in Renewables, the joint venture borrowed $4,000 against a term loan supplement to a master loan agreement and delivered a promissory note for $135, all in efforts to expand operations and secure additional land. Such borrowings were outstanding at June 26, 2016. Upon the sale of its 60% equity ownership interest in Renewables in December 2016, UNIFI deconsolidated the corresponding assets and liabilities and, accordingly, the respective debt principal balances are appropriately excluded from UNIFI's total long-term debt as of June 25, 2017. UNIFI has no liability for such debt.

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Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations for the following five fiscal years and thereafter:

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Thereafter
ABL Revolver	$—	$—	$9,300	$—	$—	$ —
ABL Term Loan	10,000	10,000	75,000	—	—	—
Capital lease obligations	7,060	6,996	5,519	2,624	2,418	551
Total	$17,060	$16,996	$89,819	$2,624	$2,418	$ 551

Further discussion of the terms and conditions of the Amended Credit Agreement and the Company's existing indebtedness is outlined in Note 12, "Long-Term Debt," to the accompanying consolidated financial statements.

Working Capital

The following table presents the components of working capital and the reconciliation from working capital to Adjusted Working Capital:

	June 25, 2017	June 26, 2016
Cash and cash equivalents	$35,425	$16,646
Receivables, net	81,121	83,422
Inventories	111,405	103,532
Other current assets	15,686	8,292
Accounts payable	(41,499)	(41,593)
Accrued expenses	(16,144)	(18,474)
Other current liabilities	(18,411)	(15,241)
Working capital	$167,583	$136,584
Less: Cash and cash equivalents	(35,425)	(16,646)
Less: Other current assets	(15,686)	(8,292)
Less: Other current liabilities	18,411	15,241
Adjusted Working Capital	$134,883	$126,887

Working capital increased from $136,584 as of June 26, 2016 to $167,583 as of June 25, 2017, while Adjusted Working Capital increased from $126,887 to $134,883. Working capital and Adjusted Working Capital are within the range of management's expectations based on the composition of the underlying business and global structure.

The increase in cash and cash equivalents reflects the strong performance of our international subsidiaries and the intent to leave cash available in foreign jurisdictions for future expansion. The decrease in receivables, net is insignificant. The increase in inventories is attributable to higher inventory units during the start-up phase of our

REPREVE® Bottle Processing Center and sales growth from our international operations. The increase in other current assets is primarily attributable to an increase in income taxes receivable due to lower income for UNIFI’s domestic operations. The decrease in accounts payable is insignificant. The decrease in accrued expenses is primarily attributable to the fiscal 2017 payment of amounts due to two former executives. The increase in other current liabilities reflects the higher current portion of long-term debt, primarily attributable to new capital leases.

Capital Projects

During fiscal 2017, we invested approximately $40,000 in capital projects (including amounts funded by a construction financing arrangement). The most significant investment was the completion of our REPREVE® Bottle Processing Center at UNIFI’s existing facility in Reidsville, North Carolina. This bottle processing plant is expected to process 75 million pounds of plastic bottle flake annually, in support of our growing focus on recycling and sustainability, especially with the REPREVE® brand and its expanding portfolio. UNIFI also made investments

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towards (i) completing the fourth REPREVE® Recycling Center production line, (ii) installing a bi-component spinning line to produce high-value yarns and (iii) additional machinery modifications to meet the ever-changing demands of the market, in support of the PVA product portfolio. These investments were primarily for the Polyester Segment.

In fiscal 2016, we invested approximately $60,000 in capital projects, as we (i) neared completion of the bottle processing plant at our existing facility in Reidsville, North Carolina, (ii) commenced an expansion of our REPREVE® Recycling Center which will allow UNIFI to increase its annual production capacity above the current 72 million pounds, (iii) enhanced our automation systems in our Yadkinville, North Carolina POY facility to handle the increasingly complex product mix, (iv) converted more machinery to accommodate smaller production runs, and (v) further increased our air-jet texturing capacity to capture more market share through our position as the leading technical and quality producer. These initiatives were designed to support our mix enrichment strategies, while also improving our ability to service customers.

In fiscal 2018, UNIFI expects to invest an additional $35,000 in capital projects, which include (i) placing equipment in Asia in support of our expanding product portfolio and growth opportunities in that region, (ii) completing the fourth production line in the REPREVE® Recycling Center, (iii) making further improvements in production capabilities and technology enhancements in the Americas and (iv) annual maintenance capital expenditures. UNIFI will seek to ensure maintenance capital expenditures are sufficient to allow continued production at high efficiencies.

The total amount ultimately invested for fiscal 2018 could be more or less depending on the timing and scale of contemplated initiatives, and is expected to be funded by a combination of cash from operations and borrowings under the ABL Revolver. UNIFI expects the recent capital projects to provide benefits to future profitability. The additional assets from these capital projects consist primarily of machinery and equipment and building additions.

As a result of our continued focus on REPREVE® and other PVA yarns as part of our mix enrichment strategy, we may incur additional expenditures for capital projects beyond the currently estimated amount, as we pursue new, currently unanticipated, opportunities in order to expand our manufacturing capabilities for these products, for other strategic growth initiatives or to further streamline our manufacturing process, in which case we may be required to increase the amount of our working capital and long-term borrowings. If our strategy is successful, we would expect higher gross profit as a result of the combination of potentially higher sales volumes and an improved mix from higher-margin products.

Stock Repurchase Program

During fiscal 2014, UNIFI completed its repurchase of shares under its initial $50,000 stock repurchase program that had been announced by UNIFI on January 22, 2013 (the “2013 SRP”). On April 23, 2014, UNIFI announced a second stock repurchase program (the “2014 SRP”) to authorize UNIFI to acquire up to an additional $50,000 of its common stock. Under the 2014 SRP (as was the case under the 2013 SRP), UNIFI is 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 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. UNIFI may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

UNIFI made no share repurchases during fiscal 2017, and repurchased a total of 206 shares during fiscal 2016 at an average price of $30.13. As of June 25, 2017, UNIFI had repurchased a total of 3,147 shares, at an average price of $23.01 (for a total of $72,438 inclusive of commission costs) pursuant to its two Board-approved stock repurchase programs. $27,603 remained available for share repurchases as of June 25, 2017.

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Liquidity Summary

UNIFI has met its historical liquidity requirements for working capital, capital expenditures, debt service requirements and other operating needs from its cash flows from operations and available borrowings. UNIFI believes that its existing cash balances, cash provided by operating activities, and borrowings available under the ABL Revolver will enable UNIFI to comply with the terms of its indebtedness and meet its foreseeable liquidity requirements. Domestically, UNIFI's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund UNIFI's domestic operating activities as well as cash commitments for its investing and financing activities. For its existing foreign operations, UNIFI expects its existing cash balances and cash provided by operating activities will provide the needed liquidity to fund its foreign operating activities and any foreign investing activities, such as future capital expenditures. However, expansion of our foreign operations may require cash sourced from our domestic subsidiaries.

Cash Provided by Operating Activities

The significant components of net cash provided by operating activities are summarized below. UNIFI analyzes net cash provided by operating activities utilizing the major components of the statements of cash flows prepared under the indirect method.

	For the Fiscal Year Ended		
	June 25, 2017	June 26, 2016	June 28, 2015
Net income including non-controlling interest	$32,377	$33,170	$40,466
Depreciation and amortization expense	20,368	17,528	18,043
Loss on sale of business	1,662	—	—
Loss on extinguishment of debt	—	—	1,040
Equity in earnings of unconsolidated affiliates	(4,230)	(8,963)	(19,475)
Subtotal	50,177	41,735	40,074
Distributions received from unconsolidated affiliates	2,322	4,732	3,718
Deferred income taxes	6,886	5,983	(3,796)
Other changes	(13,323)	3,525	(1,093)
Net cash provided by operating activities	$46,062	$55,975	$38,903

Fiscal 2017 Compared to Fiscal 2016

The decrease in net cash provided by operating activities from fiscal 2016 to fiscal 2017 is primarily due to an increase in working capital in fiscal 2017, as indicated in the Other changes above. Such increase in working capital is primarily attributable to an increase in inventories due to comparatively higher international sales and an increase in income taxes receivable. Also, as PAL's performance is comparatively weaker, routine tax distributions received by the Company have declined accordingly by approximately $2,400.

These decreases were partially offset by higher earnings of $50,177 in fiscal 2017 versus $41,735 in fiscal 2016 (as indicated in the Subtotal above which reconciles for changes in the listed non-cash activity).

Fiscal 2016 Compared to Fiscal 2015

The increase in net cash provided by operating activities from fiscal 2015 to fiscal 2016 is primarily attributable to significantly lower taxes paid of approximately $7,000 in fiscal 2016 (due, in large part, to the favorable depreciation provisions of the PATH Act of 2015, enacted in December 2015). Further, earnings were approximately $1,700 higher than the prior period (noted via the Subtotal above). Such favorability is primarily attributable to improved gross profits in fiscal 2016, along with lower SG&A expenses.

Additionally, other changes in assets and liabilities grew favorably, primarily attributable to a favorable change in inventories for fiscal 2016, reflecting lower raw material prices, whereas fiscal 2015 was impacted by a build of raw material inventories in support of expanded recycling activities. However, fiscal 2016 was unfavorably impacted by lower customer receipts during June 2016 compared to June 2015.

Cash Used in Investing Activities and Financing Activities

Fiscal 2017

UNIFI utilized $33,382 for net investing activities and was provided $6,504 from net financing activities during fiscal 2017. Significant investing activities include $33,190 for capital expenditures, which primarily relate to the addition of machinery, equipment and infrastructure for UNIFI's REPREVE® Bottle Processing Center at our existing facility in Reidsville, North Carolina, which started production in August 2016, along with other capital expenditures to improve UNIFI's manufacturing flexibility and capability to produce PVA products and to increase the capacity of our REPREVE® Recycling Center.

Significant financing activities include $7,850 for net borrowings against the ABL Facility and $4,700 for payments on capital lease obligations, partially offset by $2,787 of proceeds from stock option exercises.

Fiscal 2016

UNIFI utilized $52,892 for net investing activities and was provided $3,642 from net financing activities during fiscal 2016. Significant investing activities include $52,337 for capital expenditures, which primarily relate to the addition of machinery, equipment and infrastructure for UNIFI's new plastic bottle processing plant at our existing facility in Reidsville, North Carolina, along with other capital expenditures to improve UNIFI's manufacturing flexibility and capability to produce PVA products and to increase the capacity of our REPREVE® Recycling Center.

Significant financing activities include (i) $9,325 for net borrowings against the ABL Facility and (ii) $4,000 borrowed against a term loan supplement, partially offset by (a) $4,090 for payments on capital lease obligations and (b) $6,211 for stock repurchases.

Fiscal 2015

UNIFI utilized $22,541 for net investing activities and $18,190 for net financing activities during fiscal 2015. Significant investing activities include $25,966 for capital expenditures, which primarily relate to (i) improving UNIFI's manufacturing flexibility and capability to produce PVA products, (ii) increasing the capacity of our REPREVE® Recycling Center and (iii) adding to the capacity, flexibility and efficiency of UNIFI's facilities in Yadkinville and Madison, North Carolina and El Salvador through the addition of texturing machines.

Significant financing activities include net repayments of $6,875 on the ABL Facility and $10,360 for stock repurchases.

Contractual Obligations

As of June 25, 2017, UNIFI's contractual obligations consisted of the following:

	Cash Payments Due By Period				
Description of Commitment	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
ABL Revolver	$9,300	$—	$9,300	$—	$—
ABL Term Loan	95,000	10,000	85,000	—	—
Capital lease obligations	25,168	7,060	12,515	5,042	551
Contingent consideration (1)	925	445	480	—	—
Other long-term obligations (2)	3,500	235	121	62	3,082
Subtotal	$133,893	$17,740	$107,416	$5,104	$3,633
Interest on long-term debt and other obligations (3)	10,222	4,249	5,656	243	74
Operating leases	6,371	2,088	2,961	1,322	—
Capital purchase obligations (4)	5,501	5,501	—	—	—
Purchase obligations (5)	29,883	14,195	14,886	373	429
Total cash payments by period	$185,870	$43,773	$130,919	$7,042	$4,136

(1) Contingent consideration payments are reflected at present value based on the expected future payments used in the underlying fair value determination.
(2) Other long-term obligations do not include an estimate of the timing of potential tax payments related to uncertain tax positions; therefore, $5,077 has been excluded from the table above.
(3) Interest payments on variable-rate debt instruments are calculated for future periods using interest rates and terms in effect at June 25, 2017.
(4) Capital purchase obligations relate to contracts with vendors for the construction of assets.
(5) Purchase obligations primarily consist of utility, software and other service agreements.

For purposes of the above table, purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

As of June 25, 2017, UNIFI's open purchase orders totaled approximately $33,000 and were expected to be settled in fiscal 2018. These open purchase orders are in the ordinary course of business for the procurement of (i) raw materials used in the production of inventory, (ii) certain consumables and outsourced services used in UNIFI's manufacturing processes and (iii) selected finished goods for resale sourced from third-party suppliers.

As of June 25, 2017, UNIFI had $400 of standby letters of credit, none of which have been drawn upon.

Recent Accounting Pronouncements

Issued and Pending Adoption

In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance for the recognition of revenue from contracts with customers. Subsequent Accounting Standards Updates ("ASUs") have been issued to provide clarity and defer the effective date. The new revenue recognition standard eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. While UNIFI has not yet determined the effect of the new guidance on its ongoing financial reporting, UNIFI notes the following considerations: (i) the Company is primarily engaged in the business of manufacturing and delivering tangible products utilizing relatively straightforward contract terms without multiple performance obligations and (ii) transaction prices for UNIFI’s primary and material revenue activities are determinable and lack significant timing considerations. UNIFI is currently performing the following activities regarding implementation: (a) reviewing material contracts and (b) assessing accounting policy elections and disclosures under the new guidance. In addition, implementation matters remaining include (x) evaluating the systems and processes to support revenue recognition and (y) selecting the method of adoption. The new revenue recognition guidance is effective for the Company’s fiscal 2019.

In July 2015, the FASB issued ASU 2015-11, Inventory, which modifies the subsequent measurement of inventories recorded under a first-in, first-out or average cost method. Under the new standard, such inventories are required to be measured at the lower of cost and net realizable value. The new standard is effective for UNIFI’s fiscal 2018, with prospective application. UNIFI’s existing principles for inventory measurement include consideration of net realizable value and, therefore, adoption is expected to have no significant impact to UNIFI’s consolidated financial statements.

In February 2016, the FASB issued new accounting guidance for leases. The new guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. While UNIFI has not yet determined the full effect of the new guidance on its ongoing financial reporting, as of June 25, 2017, UNIFI had approximately $6,400 of future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year). The ASU is effective for UNIFI’s fiscal 2020, and early adoption is permitted.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, while reducing cost and complexity. The ASU is effective for UNIFI’s fiscal 2018. UNIFI expects this guidance to impact the provision for income taxes in future periods, but the timing and magnitude of such impact is not estimable.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The ASU is intended to improve and simplify accounting rules around hedge accounting. The ASU is effective for UNIFI’s fiscal 2020 and early adoption is permitted. UNIFI is evaluating the effect the new guidance will have on its consolidated financial statements and related disclosures.

Recently Adopted

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance of debt issuance costs are not affected by the amendments in this update. In fiscal 2017, UNIFI adopted this guidance on a retrospective basis, restating the corresponding line items of the consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement, providing criteria for determining if a license of software, as part of a cloud services arrangement, is subject to capitalization under the existing guidance for internal-use software. UNIFI adopted the guidance in fiscal 2017 and there was no significant impact to UNIFI’s consolidated financial statements.

There have been no other newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a significant impact on UNIFI’s consolidated financial statements.

Off-Balance Sheet Arrangements

UNIFI is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on UNIFI’s financial condition, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimate from quarter to quarter could materially impact the presentation of the financial statements. The following discussion provides further information about accounting policies critical to UNIFI and should be read in conjunction with Note 2, "Summary of Significant Accounting Policies," to the accompanying consolidated financial statements.

Receivables Reserves

An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims. The collectability of accounts receivable is based on a combination of factors, including the aging of accounts, historical write off experience, present economic conditions such as customer bankruptcy filings, and the financial health of specific customers and market sectors. Since losses depend to a large degree on future economic conditions and the health of the textile industry, a significant level of judgment is required to arrive at the allowance for uncollectible accounts. This allowance is established based on percentages applied to accounts aged for set periods of time, supplemented by reserves for individual customer accounts where collection is no longer certain. Establishing reserves for yarn claims and uncollectible accounts requires management judgment and estimates. UNIFI does not believe there is a reasonable likelihood that there will be a material change in the estimates and assumptions it uses to assess the allowance for losses. However, certain unexpected events such as a customer bankruptcy filing could have a material impact on UNIFI's results of operations. UNIFI has not made any material changes to the methodology used in establishing its accounts receivable loss reserves during the past three fiscal years. A plus or minus 10% change in the aged accounts receivable reserve percentages would not have been material to UNIFI's consolidated financial statements for the past three fiscal years.

Inventory Reserves

Inventory reserves are established based on many factors, including historical recovery rates, the aging of inventories on-hand, inventory movement and expected net realizable value of specific products, and current economic conditions. Specific reserves are established based on a determination of the obsolescence of the inventory and whether the inventory value exceeds amounts to be recovered through expected sales prices less selling costs. Estimating sales prices and evaluating the condition of the inventories require judgment and estimates, which may impact the ending inventory valuation and gross margins. UNIFI uses current and historical knowledge to record reasonable estimates of its markdown percentages and expected sales prices. UNIFI believes it is unlikely that differences in actual demand or selling prices from those projected by management would have a material impact on UNIFI's financial condition or results of operations. UNIFI has not made any material changes to the methodology used in establishing its inventory loss reserves during the past three fiscal years. A plus or minus 10% change in its aged inventory reserves would not have been material to UNIFI's consolidated financial statements for the past three fiscal years.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held for sale, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required to determine the fair value, the disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. For assets held and used, impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of loss to be recognized, and the impairment loss is determined as the amount the carrying value of the asset or asset group exceeds the estimated fair value, measured by future discounted cash flows. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgment associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. UNIFI’s judgment regarding the existence of circumstances that indicate the potential impairment of an asset’s carrying value is based on several factors, including, but not limited to, changes in business environment, a decline in operating cash flows or a decision to close a manufacturing facility. The variability of these factors depends on a number of conditions, including uncertainty about future events and general economic conditions.

Impairment of Investments in Unconsolidated Affiliates

UNIFI evaluates its investments in unconsolidated affiliates whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. UNIFI evaluates the ability of an affiliate to generate sufficient earnings and cash flows to justify its carrying value. Reductions in an affiliate’s cash flows that are other than temporary and indicative of a loss of investment value are assessed for impairment purposes. For fiscal 2017, UNIFI determined there were no “other-than-temporary” impairments related to the carrying value of its investments in unconsolidated affiliates.

Valuation Allowance for Deferred Tax Assets

UNIFI currently has a valuation allowance against certain of its deferred tax assets in the United States and foreign subsidiaries due to negative evidence concerning the realization of those deferred tax assets. The deferred tax valuation allowance at June 25, 2017 was $17,957.

In assessing the realization of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the appropriate character during the periods in which those temporary differences reverse. Management considers the scheduled reversal of taxable temporary differences, taxable income in carryback periods, projected future taxable income and tax planning strategies in making this assessment. UNIFI reviews its estimates of future taxable income on a quarterly basis to assess if the need for a valuation allowance exists. UNIFI continually evaluates both positive and negative evidence to determine whether and when the valuation allowance, or a portion thereof, should be released. A release of the valuation allowance could have a material effect on earnings in the period of release.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

UNIFI is exposed to market risks associated with changes in interest rates, fluctuations in foreign currency exchange rates, and raw material and commodity costs, which may adversely affect its financial position, results of operations or cash flows. UNIFI does not enter into derivative financial instruments for trading purposes, nor is it a party to any leveraged financial instruments.

Interest Rate Risk

UNIFI is exposed to interest rate risk through its borrowing activities. As of June 25, 2017, UNIFI had borrowings under its ABL Revolver and ABL Term Loan that totaled $104,300 and contain variable rates of interest; however, UNIFI hedges a significant portion of such interest rate variability using interest rate swaps. As of June 25, 2017, after

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considering the variable rate debt obligations that have been hedged and UNIFI's outstanding debt obligations with fixed rates of interest, UNIFI's sensitivity analysis shows that a 50-basis point increase in LIBOR as of June 25, 2017 would result in an increase in annual interest expense of less than $300.

Foreign Currency Exchange Rate Risk

UNIFI conducts its business in various foreign countries and in various foreign currencies. Each of UNIFI's subsidiaries may enter into transactions (sales, purchases, fixed purchase commitments, etc.) that are denominated in currencies other than the subsidiary's functional currency and thereby expose UNIFI to foreign currency exchange risk. UNIFI may enter into foreign currency forward contracts to hedge this exposure. UNIFI may also enter into foreign currency forward contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of June 25, 2017, UNIFI had no outstanding foreign forward currency contracts.

A significant portion of raw materials purchased by UNIFI's Brazilian subsidiary are denominated in U.S. Dollars, requiring UNIFI to regularly exchange Brazilian Real. During recent fiscal years, UNIFI was negatively impacted by a devaluation of the Brazilian Real. For fiscal 2015, the Brazilian Real declined approximately 40% in relation to the U.S. Dollar, thereby reducing the utility of cash and cash equivalents held by UNIFI's Brazilian subsidiary. Discussion and analysis surrounding the impact of fluctuations of the Brazilian Real on UNIFI's results of operations is included above in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

As of June 25, 2017, UNIFI's subsidiaries outside the United States, whose functional currency is other than the U.S. Dollar, held approximately 14.6% of UNIFI's consolidated total assets. UNIFI does not enter into foreign currency derivatives to hedge its net investment in its foreign operations.

As of June 25, 2017, $28,683, or 81.0%, of UNIFI's cash and cash equivalents were held outside the United States, of which approximately $23,829 were held in U.S. Dollar equivalents.

More information regarding UNIFI's derivative financial instruments as of June 25, 2017 is provided in Note 18, "Fair Value of Financial Instruments and Non-Financial Assets and Liabilities," to the accompanying consolidated financial statements.

Raw Material and Commodity Cost Risks

A significant portion of UNIFI's raw materials and energy costs are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products and energy costs are volatile and dependent on global supply and demand dynamics, including certain geo-political risks. UNIFI does not use financial instruments to hedge its exposure to changes in these costs. The costs of the primary raw materials that UNIFI uses throughout all of its operations are generally based on U.S. Dollar pricing, and such materials are purchased at market or at fixed prices that are established with individual vendors as part of the purchasing process for quantities expected to be consumed in the ordinary course of business.

Other Risks

UNIFI is also exposed to political risk, including changing laws and regulations governing international trade, such as quotas, tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and the related notes begin on page F-i herein.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures
Evaluation of Disclosure Controls and Procedures

As of June 25, 2017, an evaluation of the effectiveness of UNIFI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) was performed under the supervision and with the participation of UNIFI's management, including the principal executive officer and principal financial officer. Based on that evaluation, UNIFI's principal executive officer and principal financial officer concluded that UNIFI's disclosure controls and procedures are effective to ensure that information required to be disclosed by UNIFI in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by UNIFI in the reports UNIFI files or submits under the Exchange Act is accumulated and communicated to UNIFI's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management of UNIFI is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). UNIFI's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. UNIFI's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of UNIFI; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of UNIFI are being made only in accordance with authorizations of management and directors of UNIFI; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of UNIFI's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, assessed the effectiveness of UNIFI's internal control over financial reporting as of June 25, 2017, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on that assessment, management concluded that, as of June 25, 2017, UNIFI's internal control over financial reporting was effective based on the criteria established in Internal Control-Integrated Framework (2013).

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of UNIFI's internal control over financial reporting as of June 25, 2017 has been audited by KPMG LLP ("KPMG"), an independent registered public accounting firm. KPMG's report, which appears in "Item 8. Financial Statements and Supplementary Data," expresses an unqualified opinion on the effectiveness of UNIFI's internal control over financial reporting as of June 25, 2017.

Changes in Internal Control Over Financial Reporting

During UNIFI's fourth quarter of fiscal 2017, there has been no change in UNIFI's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, UNIFI's internal controls over financial reporting.

Item 9B. Other Information
None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

UNIFI will file with the SEC a definitive proxy statement for its 2017 annual meeting of shareholders (the “Proxy Statement”) no later than 120 days after the close of its fiscal year ended June 25, 2017. The information required by this item and not given in this item is furnished by incorporation by reference to the information under the headings “Election of Directors,” “Corporate Governance,” “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement.

We have adopted a written Code of Business Conduct and Ethics (the “Code of Ethics”), which is intended to qualify as a “code of ethics” within the meaning of Item 406 of Regulation S-K of the Exchange Act. The Code of Ethics applies to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Code of Ethics is available on our website at www.unifi.com. A copy of the Code of Ethics may also be obtained without charge to any person, upon request, by writing to Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410, Attention: Office of the Secretary.

We will disclose information pertaining to any amendment to, or waiver from, the provisions of the Code of Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions and that relate to any element of the Code of Ethics enumerated in the SEC rules and regulations by posting this information on our website at www.unifi.com. The information on our website is not a part of this Annual Report and is not incorporated by reference in this Annual Report or any of our other filings with the SEC.

Our executive officers and their respective principal occupation or employment are as follows: Kevin D. Hall (Chief Executive Officer); Thomas H. Caudle, Jr. (President and Chief Operating Officer); Richard E. Gerstein (Executive Vice President, Global Branded Premium Value-Added Products and Chief Marketing Officer); John Vegas (Executive Vice President, Global Chief Human Resources Officer); Mark A. McNeill (Executive Vice President, Global Innovation); and Christopher A. Smosna (Vice President and Treasurer, and Interim Chief Financial Officer).

Our non-employee directors and their respective principal occupation or employment are as follows: Robert J. Bishop (Managing Principal, Impala Asset Management LLC, a private investment management company); Paul R. Charron (Independent Management Consultant); Archibald Cox, Jr. (Chairman, Sextant Group, Inc., a financial advisory and private equity firm); James M. Kilts (Founding Partner, Centerview Capital, a private equity firm); Kenneth G. Langone (President and Chief Executive Officer, Invemed Associates LLC, an investment banking firm); James D. Mead (President, James Mead & Company, a Connecticut-based executive search and management consulting firm); and Suzanne M. Present (Principal, Gladwyne Partners, LLC, a private partnership fund manager).

Item 11. Executive Compensation

The information required by this Item will appear under the headings “Director Compensation,” “Compensation Discussion and Analysis,” “Executive Compensation Tables,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
The information required by this Item will appear under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the Proxy Statement.

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Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is furnished by incorporation by reference to the information under the headings "Corporate Governance—Director Independence" and "Corporate Governance—Related Person Transactions" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is furnished by incorporation by reference to the information under the heading "Ratification of the Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The financial statements and schedules listed in the accompanying Index to Consolidated Financial Statements on page F-i are filed as part of this Annual Report.

2. Financial Statement Schedules

PAL is an unconsolidated joint venture in which UNIFI holds a 34% equity ownership interest and met the significant subsidiary test for UNIFI's fiscal years ended June 25, 2017, June 26, 2016 and June 28, 2015. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Exchange Act, UNIFI will file the required financial statements and related notes of PAL via an amendment to this Annual Report. PAL's current fiscal year end is December 30, 2017, which is more than 90 days after UNIFI's corresponding fiscal year end, June 25, 2017. PAL's financial statements as of December 30, 2017 and December 31, 2016 and for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016 will be filed on or before March 30, 2018.

PAL's prior fiscal year end was December 31, 2016, which was more than 90 days after UNIFI's corresponding fiscal year, which ended June 26, 2016. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Exchange Act, UNIFI filed the required financial statements and related notes of PAL on March 29, 2017 via an amendment to UNIFI's Annual Report on Form 10-K for the fiscal year ended June 26, 2016.

3. Exhibits

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
3.2	Amended and Restated By-laws of Unifi, Inc., as of October 26, 2016 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
4.1	Registration Rights Agreement, dated as of January 1, 2007, by and between Unifi, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 7.1 to the Schedule 13D filed January 16, 2007 by Dillon Yarn Corporation (File No. 005-30881)).
4.2	Amended and Restated Credit Agreement, dated as of March 26, 2015, by and among Unifi, Inc. and certain of its domestic subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, sole lead arranger and sole book runner, and the lenders party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed March 31, 2015 (File No. 001-10542)).
4.3	First Amendment to Amended and Restated Credit Agreement, dated as of June 26, 2015, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed June 30, 2015 (File No. 001-10542)).
4.4	Second Amendment to Amended and Restated Credit Agreement, dated as of November 19, 2015, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed November 23, 2015 (File No. 001-10542)).
4.5	Amended and Restated Guaranty and Security Agreement, dated as of March 26, 2015, by and among the grantors from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed March 31, 2015 (File No. 001-10542)).
4.6	First Amendment to Amended and Restated Guaranty and Security Agreement, dated as of June 26, 2015, by and among the grantors from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed June 30, 2015 (File No. 001-10542)).
4.7	Trademark Security Agreement, dated as of May 24, 2012, by and among the grantors party thereto and Wells Fargo Bank, N.A., as agent (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed May 25, 2012 (File No. 001-10542)).
4.8	Patent Security Agreement, dated as of May 24, 2012, by and among the grantors party thereto and Wells Fargo Bank, N.A., as agent (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K filed May 25, 2012 (File No. 001-10542)).

10.1*	1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed August 7, 2000 (File No. 333-43158)).
10.2*	Form of Incentive Stock Option Agreement for Employees for use in connection with the 1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed July 31, 2006 (File No. 001-10542)).
10.3*	2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed December 12, 2008 (File No. 333-156090)).
10.4*	Form of Incentive Stock Option Agreement for Employees for use in connection with the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended December 28, 2008 (File No. 001-10542)).

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Exhibit Number	Description
10.5*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended December 26, 2010 (File No. 001-10542)).
10.6*	Form of Restricted Stock Unit Agreement for Employees for use in connection with the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 25, 2011 (File No. 001-10542)).
10.7*	Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed October 23, 2013 (File No. 001-10542)).
10.8*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed October 23, 2013 (File No. 001-10542)).
10.9*	Form of Restricted Stock Unit Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended December 29, 2013 (File No. 001-10542)).
10.10*	Form of Incentive Stock Option Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into prior to March 26, 2017) (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended December 29, 2013 (File No. 001-10542)).
10.11*	Form of Incentive Stock Option Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into on or after March 26, 2017) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 001-10542)).
10.12*	Unifi, Inc. Supplemental Key Employee Retirement Plan (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed July 31, 2006 (File No. 001-10542)).
10.13*	Amendment to Unifi, Inc. Supplemental Key Employee Retirement Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 6, 2009 (File No. 001-10542)).
10.14*	Unifi, Inc. Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended December 26, 2010 (File No. 001-10542)).
10.15*	Unifi, Inc. Director Compensation Policy (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
10.16*	Change in Control Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of August 14, 2009 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed August 18, 2009 (File No. 001-10542)).
10.17*	

Amendment No. 1 to Change in Control Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of December 31, 2011 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed January 5, 2012 (File No. 001-10542)).

10.18* Amendment No. 2 to Change in Control Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of December 31, 2014 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed December 1, 2014 (File No. 001-10542)).

10.19* Consulting Agreement by and between Unifi, Inc. and William L. Jasper, dated as of April 27, 2016 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed April 28, 2016 (File No. 001-10542)).

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Exhibit Number	Description
10.20*	Letter Agreement by and between Unifi, Inc. and Sean D. Goodman, dated as of October 22, 2015 (incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended June 26, 2016 (File No. 001-10542)).
10.21*	Employment Agreement by and between Unifi, Inc. and Kevin D. Hall, effective as of May 3, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 4, 2017 (File No. 001-10542)).
10.22*	Amendment No. 1 to Employment Agreement by and between Unifi, Inc. and Kevin D. Hall, effective as of May 19, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed May 19, 2017 (File No. 001-10542)).
10.23+*	Employment Agreement by and between Unifi, Inc. and John D. Vegas, effective as of July 17, 2017.
10.24+*	Employment Agreement by and between Unifi, Inc. and Richard Gerstein, effective as of July 28, 2017.
10.25	Sales and Services Agreement, dated as of January 1, 2007, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-3 filed February 9, 2007 (File No. 333-140580)).
10.26	First Amendment to Sales and Services Agreement, effective as of January 1, 2009, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 3, 2008 (File No. 001-10542)).
10.27	Second Amendment to Sales and Services Agreement, effective as of January 1, 2010, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 11, 2009 (File No. 001-10542)).
10.28	Third Amendment to Sales and Services Agreement, effective as of January 1, 2011, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 22, 2010 (File No. 001-10542)).
10.29	Fourth Amendment to Sales and Services Agreement, effective as of January 1, 2012, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 20, 2011 (File No. 001-10542)).
10.30	Yarn Purchase Agreement, effective as of September 1, 2014, by and between Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K for the fiscal year ended June 29, 2014 (File No. 001-10542)).
10.31	Deposit Account Control Agreement, dated as of May 24, 2012, by and among Unifi Manufacturing, Inc., Wells Fargo Bank, N.A. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 25, 2012 (File No. 001-10542)).
21.1+	List of Subsidiaries of Unifi, Inc.
23.1+	Consent of KPMG LLP.

31.1+	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2++	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Exhibit Number	Description
101+	The following financial information from Unifi, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 25, 2017, filed September 1, 2017, formatted in eXtensible Business Reporting Language: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

+ Filed herewith.
++ Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.
** Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	UNIFI, INC.
Date: September 1, 2017	By: /s/ KEVIN D. HALL Kevin D. Hall Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kevin D. Hall and Thomas H. Caudle, Jr., or either of them, his or her attorney-in-fact, with full power of substitution and resubstitution for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorney-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

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

Signature	Title
/s/ KEVIN D. HALL Kevin D. Hall	Chief Executive Officer and Director (Principal Executive Officer)
/s/ CHRISTOPHER A. SMOSNA Christopher A. Smosna	Vice President and Treasurer, and Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ ROBERT J. BISHOP Robert J. Bishop	Director
/s/ THOMAS H. CAUDLE, JR. Thomas H. Caudle, Jr.	Director
/s/ PAUL R. CHARRON Paul R. Charron	Director
/s/ ARCHIBALD COX, JR. Archibald Cox, Jr.	Director

/s/ JAMES M. KILTS James M. Kilts	Director
/s/ KENNETH G. LANGONE Kenneth G. Langone	Director
/s/ JAMES D. MEAD James D. Mead	Chairman of the Board and Director
/s/ SUZANNE M. PRESENT Suzanne M. Present	Director

Date: September 1, 2017

UNIFI, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Unifi, Inc.:

We have audited the accompanying consolidated balance sheets of Unifi, Inc. and subsidiaries as of June 25, 2017 and June 26, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 25, 2017. These consolidated financial statements are the responsibility of Unifi, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unifi, Inc. and subsidiaries as of June 25, 2017 and June 26, 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended June 25, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Unifi, Inc.'s internal control over financial reporting as of June 25, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 1, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Greensboro, North Carolina

September 1, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Unifi, Inc.:

We have audited Unifi, Inc.'s internal control over financial reporting as of June 25, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Unifi, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Unifi, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 25, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Unifi, Inc. and subsidiaries as of June 25, 2017 and June 26, 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 25, 2017, and our report dated September 1, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Greensboro, North Carolina

September 1, 2017

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CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	June 25, 2017	June 26, 2016
ASSETS		
Cash and cash equivalents	$35,425	$16,646
Receivables, net	81,121	83,422
Inventories	111,405	103,532
Income taxes receivable	9,218	3,502
Other current assets	6,468	4,790
Total current assets	243,637	211,892
Property, plant and equipment, net	203,388	185,101
Deferred income taxes	2,194	2,387
Intangible assets, net	2,158	3,741
Investments in unconsolidated affiliates	119,513	117,412
Other non-current assets	613	4,909
Total assets	$571,503	$525,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$41,499	$41,593
Accrued expenses	16,144	18,474
Income taxes payable	1,351	1,455
Current portion of long-term debt	17,060	13,786
Total current liabilities	76,054	75,308
Long-term debt	111,382	107,805
Other long-term liabilities	11,804	10,393
Deferred income taxes	11,457	4,991
Total liabilities	210,697	198,497
Commitments and contingencies		
Common stock, $0.10 par value (500,000,000 shares authorized; 18,229,777 and 17,847,416 shares issued and outstanding as of June 25, 2017 and June 26, 2016, respectively)	1,823	1,785
Capital in excess of par value	51,923	45,932
Retained earnings	339,940	307,065
Accumulated other comprehensive loss	(32,880)	(29,751)
Total Unifi, Inc. shareholders' equity	360,806	325,031
Non-controlling interest	—	1,914
Total shareholders' equity	360,806	326,945
Total liabilities and shareholders' equity	$571,503	$525,442

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	For the Fiscal Year Ended		
	June 25, 2017	June 26, 2016	June 28, 2015
Net sales	$647,270	$643,637	$687,121
Cost of sales	553,106	550,005	596,416
Gross profit	94,164	93,632	90,705
Selling, general and administrative expenses	50,829	47,502	49,672
(Benefit) provision for bad debts	(123)	1,684	947
Other operating (income) expense, net	(310)	2,248	1,600
Operating income	43,768	42,198	38,486
Interest income	(517)	(610)	(916)
Interest expense	3,578	3,528	4,025
Loss on sale of business	1,662	—	—
Loss on extinguishment of debt	—	—	1,040
Equity in earnings of unconsolidated affiliates	(4,230)	(8,963)	(19,475)
Income before income taxes	43,275	48,243	53,812
Provision for income taxes	10,898	15,073	13,346
Net income including non-controlling interest	$32,377	$33,170	$40,466
Less: net loss attributable to non-controlling interest	(498)	(1,245)	(1,685)
Net income attributable to Unifi, Inc.	$32,875	$34,415	$42,151
Net income attributable to Unifi, Inc. per common share:			
Basic	$1.81	$1.93	$2.32
Diluted	$1.78	$1.87	$2.24

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	For the Fiscal Year Ended		
	June 25, 2017	June 26, 2016	June 28, 2015
Net income including non-controlling interest	$32,377	$33,170	$40,466
Other comprehensive loss:			
Foreign currency translation adjustments	(2,936)	(2,135)	(21,578)
Foreign currency translation adjustments for an unconsolidated affiliate	245	(794)	(933)
Changes in interest rate swaps, net of tax of $299, $0 and $0, respectively	(438)	77	231
Other comprehensive loss, net	(3,129)	(2,852)	(22,280)
Comprehensive income including non-controlling interest	29,248	30,318	18,186
Less: comprehensive loss attributable to non-controlling interest	(498)	(1,245)	(1,685)
Comprehensive income attributable to Unifi, Inc.	$29,746	$31,563	$19,871

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(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	11	1	94	—	—	95	—	95
Stock-based compensation	—	—	2,631	—	—	2,631	—	2,631
Conversion of restricted stock units	31	3	(3)	—	—	—	—	—
Common stock repurchased and retired under publicly announced program	(349)	(34)	(833)	(9,493)	—	(10,360)	—	(10,360)
Excess tax benefit on stock-based compensation plans	—	—	242	—	—	242	—	242
Other comprehensive loss, net of tax	—	—	—	—	(22,280)	(22,280)	—	(22,280)
Contributions from non-controlling interest	—	—	—	—	—	—	1,561	1,561
Net income (loss)	—	—	—	42,151	—	42,151	(1,685)	40,466
Balance at June 28, 2015	18,007	$ 1,801	$ 44,261	$ 278,331	$ (26,899)	$ 297,494	$ 1,599	$ 299,093
Options exercised	27	3	178	—	—	181	—	181
Stock-based compensation	—	—	2,340	—	—	2,340	—	2,340
Conversion of restricted stock units	19	2	(2)	—	—	—	—	—
Common stock repurchased and retired under publicly announced program	(206)	(21)	(509)	(5,681)	—	(6,211)	—	(6,211)

Excess tax benefit on stock-based compensation plans	—	—	120	—	—	120	—	120
Tax deficiency from stock-based compensation plans	—	—	(456)	—	—	(456)	—	(456)
Other comprehensive loss, net of tax	—	—	—	—	(2,852)	(2,852)	—	(2,852)
Contributions from non-controlling interest	—	—	—	—	—	—	1,560	1,560
Net income (loss)	—	—	—	34,415	—	34,415	(1,245)	33,170
Balance at June 26, 2016	17,847	$ 1,785	$ 45,932	$ 307,065	$ (29,751)	$ 325,031	$ 1,914	$ 326,945
Options exercised	313	31	2,756	—	—	2,787	—	2,787
Stock-based compensation	—	—	2,182	—	—	2,182	—	2,182
Conversion of restricted stock units	70	7	(7)	—	—	—	—	—
Excess tax benefit on stock-based compensation plans	—	—	1,060	—	—	1,060	—	1,060
Other comprehensive loss, net of tax	—	—	—	—	(3,129)	(3,129)	—	(3,129)
Deconsolidation for sale of business	—	—	—	—	—	—	(1,416)	(1,416)
Net income (loss)	—	—	—	32,875	—	32,875	(498)	32,377
Balance at June 25, 2017	18,230	$ 1,823	$ 51,923	$ 339,940	$ (32,880)	$ 360,806	$ —	$ 360,806

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Fiscal Year Ended		
	June 25, 2017	June 26, 2016	June 28, 2015
Cash and cash equivalents at beginning of year	$16,646	$10,013	$15,907
Operating activities:			
Net income including non-controlling interest	32,377	33,170	40,466
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:			
Equity in earnings of unconsolidated affiliates	(4,230)	(8,963)	(19,475)
Distributions received from unconsolidated affiliates	2,322	4,732	3,718
Depreciation and amortization expense	20,368	17,528	18,043
Loss on sale of business	1,662	—	—
Loss on extinguishment of debt	—	—	1,040
Non-cash compensation expense	2,983	2,501	3,148
Excess tax benefit on stock-based compensation plans	(1,060)	(120)	(242)
Deferred income taxes	6,886	5,983	(3,796)
Other, net	(1,112)	(302)	1,441
Changes in assets and liabilities:			
Receivables, net	1,586	(88)	4,491
Inventories	(8,519)	6,843	(6,171)
Other current assets	(1,824)	(304)	(64)
Income tax receivable	(4,657)	(1,931)	(1,035)
Accounts payable and accrued expenses	(1,207)	(5,710)	(3,612)
Income taxes payable	(67)	816	(2,395)
Other non-current assets	(233)	(108)	76
Other non-current liabilities	787	1,928	3,270
Net cash provided by operating activities	46,062	55,975	38,903
Investing activities:			
Capital expenditures	(33,190)	(52,337)	(25,966)
Proceeds from sale of assets	61	2,099	3,847
Other, net	(253)	(2,654)	(422)
Net cash used in investing activities	(33,382)	(52,892)	(22,541)
Financing activities:			
Proceeds from ABL Revolver	121,800	153,200	149,100
Payments on ABL Revolver	(118,700)	(152,000)	(170,100)
Proceeds from ABL Term Loan	14,500	17,375	22,000
Payments on ABL Term Loan	(9,750)	(9,250)	(7,875)
Proceeds from a term loan supplement	—	4,000	—
Proceeds from construction financing	—	790	—
Payment on term loan from equity affiliate	—	(1,250)	—

Payments of debt financing fees	—	(217)	(1,063)
Payments on capital lease obligations	(4,700)	(4,090)	(1,286)
Common stock repurchased and retired under publicly announced programs	—	(6,211)	(10,360)
Proceeds from stock option exercises	2,787	181	95
Excess tax benefit on stock-based compensation plans	1,060	120	242
Contributions from non-controlling interest	—	1,560	1,561
Other	(493)	(566)	(504)
Net cash provided by (used in) financing activities	6,504	3,642	(18,190)
Effect of exchange rate changes on cash and cash equivalents	(405)	(92)	(4,066)
Net increase (decrease) in cash and cash equivalents	18,779	6,633	(5,894)
Cash and cash equivalents at end of year	$35,425	$16,646	$10,013

See accompanying notes to consolidated financial statements.

Unifi, Inc.

Notes to Consolidated Financial Statements

1. Background

Overview

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, “UNIFI,” the “Company,” “we,” “us” or “our”), is a multi-national company that manufactures and sells innovative synthetic and recycled products made from polyester and nylon primarily to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets. Polyester yarns include partially oriented yarn (“POY”), textured, solution and package dyed, twisted, beamed and draw wound yarns, and each is available in virgin or recycled varieties. Recycled solutions, made from both pre-consumer and post-consumer waste, include plastic bottle flake and polyester polymer beads (“Chip”). Nylon products include textured, solution dyed and spandex covered yarns.

UNIFI maintains one of the textile industry’s most comprehensive yarn product offerings that include specialized yarns, premium value-added (“PVA”) yarns and commodity yarns, with principal geographic markets in the Americas and Asia.

UNIFI has manufacturing operations in four countries and participates in joint ventures in Israel and the United States, the most significant of which is a 34% non-controlling partnership interest in Parkdale America, LLC (“PAL”), a producer of cotton and synthetic yarns for sale to the global textile industry and apparel market.

All amounts, except per share amounts, are presented in thousands (000s), unless otherwise noted.

Fiscal Year

The fiscal year end for Unifi, Inc. and its subsidiary in El Salvador ends on the last Sunday in June. Unifi, Inc.’s fiscal 2017, 2016 and 2015 ended on June 25, 2017, June 26, 2016 and June 28, 2015, respectively. Unifi, Inc.’s Brazilian, Chinese, Colombian and Sri Lankan subsidiaries’ fiscal years end on June 30th. There were no significant transactions or events that occurred between the fiscal year ends of Unifi, Inc. and its wholly owned subsidiaries. Unifi, Inc.’s fiscal 2017, 2016 and 2015 all consisted of 52 fiscal weeks.

Reclassifications

Certain reclassifications of prior fiscal years’ data have been made to conform to the fiscal 2017 presentation.

UNIFI adopted Accounting Standards Update (“ASU”) 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”) during fiscal 2017, along with the clarifying guidance in ASU 2015-15, Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting. As shown in the table below, unamortized debt issuance costs associated with outstanding debt have been reclassified to conform to the new presentation requirements as follows:

	June 26, 2016 As Previously Reported	Adjustments Due to Adoption of ASU 2015-03	June 26, 2016 As Adjusted
Debt issuance costs (within other non-current assets)	$ 1,421	$ (1,421)	$—
Total assets	526,863	(1,421)	525,442
Long-term debt	109,226	(1,421)	107,805
Total liabilities	199,918	(1,421)	198,497

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

2. Summary of Significant Accounting Policies

UNIFI follows U.S. generally accepted accounting principles ("GAAP"). The significant accounting policies described below, together with the other notes to the consolidated financial statements that follow, are an integral part of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Unifi, Inc. and its subsidiaries in which it maintains a controlling financial interest. All account balances and transactions between Unifi, Inc. and the subsidiaries which it controls have been eliminated. Investments in entities in which UNIFI is able to exercise significant influence, but not control, are accounted for using the equity method. For transactions with entities accounted for under the equity method, any intercompany profits on amounts still remaining are eliminated. Amounts originating from any deferral of intercompany profits are recorded within either UNIFI's investment account or the account balance to which the transaction specifically relates (e.g., inventory). Only upon settlement of the intercompany transaction with a third party is the deferral of the intercompany profit recognized by UNIFI.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities, certain financial statement disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the period. UNIFI's consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results may vary from these estimates. These estimates are reviewed periodically to determine if a change is required.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid, short-term investments having an original maturity of three months or less. Book overdrafts, for which the bank has not advanced cash, if any, are reclassified to accounts payable and reflected as an offset thereto within the accompanying consolidated statements of cash flows.

Receivables

Receivables are stated at their net realizable value. Allowances are provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims and are recorded as a reduction of net sales. The allowance for uncollectible accounts is shown as a reduction of operating income and reflects UNIFI's best estimate of probable losses inherent in its accounts receivable portfolio determined on the basis of historical write off experience, aging of trade receivables, specific allowances for known troubled accounts and other currently available information. Customer accounts are written off against the allowance for uncollectible accounts when they are no longer deemed to be collectible.

Inventories

UNIFI's inventories are valued at the lower of cost or market with the cost for the majority of its inventory determined using the first-in, first-out method. Certain foreign inventories and limited categories of supplies and agricultural inventories are valued using the average cost method. UNIFI's estimates for inventory reserves for obsolete, slow-moving or excess inventories are based upon many factors, including historical recovery rates, the aging of inventories on-hand, inventory movement and expected net realizable value of specific products, and current economic conditions.

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

Debt Issuance Costs

Debt issuance costs are recorded to long-term debt and amortized as additional interest expense following either the effective interest method or the straight-line method. In the event of any prepayment of its debt obligations, UNIFI accelerates the recognition of a pro-rata amount of issuance costs and records an extinguishment of debt.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") are stated at historical cost less accumulated depreciation. Plant and equipment under capital leases are stated at the present value of minimum lease payments less accumulated amortization. Additions or improvements that substantially extend the useful life of a particular asset are capitalized. Depreciation is calculated primarily utilizing the straight-line method over the following useful lives:

Asset categories	Useful lives in years
Land improvements	Five to Twenty
Buildings and improvements	Fifteen to Forty
Machinery and equipment	Two to Twenty-five
Computer, software and office equipment	Three to Seven
Internal software development costs	Three
Transportation equipment	Three to Fifteen

Leasehold improvements are depreciated over the lesser of their estimated useful lives or the remaining term of the lease.

Assets under capital leases are amortized in a manner consistent with UNIFI's normal depreciation policy if ownership is transferred by the end of the lease, or if there is a bargain purchase option. If such ownership criteria are not met, amortization occurs over the shorter of the lease term or the asset's useful life.

UNIFI capitalizes its costs of developing internal software when the software is used as an integral part of its manufacturing or business processes and the technological feasibility has been established. Internal software costs are amortized over a period of three years and, in accordance with the project type, charged to cost of sales or selling, general and administrative ("SG&A") expenses.

Fully depreciated assets are retained in cost and accumulated depreciation accounts until they are removed from service. In the case of disposals, asset costs and related accumulated depreciation amounts are removed from the accounts, and the net amounts, less proceeds from disposal, are included in the determination of net income and presented within other operating (income) expense, net.

Repair and maintenance costs related to PP&E which do not significantly increase the useful life of an existing asset or do not significantly alter, modify or change the capabilities or production capacity of an existing asset are expensed as incurred.

Interest is capitalized for capital projects requiring a construction period.

PP&E and other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets to be disposed of by sale within one year are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell. Depreciation ceases for all assets classified as held for sale. Long-lived assets to be disposed of other than by sale are classified as held for use until they are disposed of and these assets are reported at the lower of their carrying amount or estimated fair value.

Intangible Assets

Finite-lived intangible assets, such as customer lists, non-compete agreements, licenses, trademarks and patents, are amortized over their estimated useful lives. UNIFI periodically evaluates the reasonableness of the useful lives of

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

these assets. Once these assets are fully amortized, they are removed from the accounts. These assets are reviewed for impairment or obsolescence whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, intangible assets are written down to fair value based on discounted cash flows or other valuation techniques. UNIFI has no intangibles with indefinite lives.

Investments in Unconsolidated Affiliates

UNIFI evaluates its investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Derivative Instruments

All derivatives are carried on the balance sheet at fair value and are classified according to their asset or liability position and the expected timing of settlement. On the date the derivative contract is entered into, UNIFI may designate the derivative into one of the following categories:

- Fair value hedge – a hedge of the fair value of a recognized asset or liability or a firm commitment. Changes in the fair value of derivatives designated and qualifying as fair value hedges, as well as the offsetting gains and losses on the hedged items, are reported in income in the same period.
- Cash flow hedge – a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The effective portion of gains and losses on cash flow hedges are recorded in accumulated other comprehensive loss, until the underlying transactions are recognized in income. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive loss to current period earnings on the same line item as the underlying transaction.
- Net investment hedge – if a derivative is used as a foreign currency hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in foreign currency translation adjustments in accumulated other comprehensive loss.

Any ineffective portion of a designated hedge is immediately recognized in current period earnings. Derivatives that are not designated for hedge accounting are marked to market at the end of each period with the changes in fair value recognized in current period earnings. Settlements of any fair value or cash flow derivative contracts are classified as cash flows from operating activities.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). Fair value is based on assumptions that market participants would use when pricing the asset or liability. The hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. UNIFI uses the following to measure fair value for its assets and liabilities:

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either indirectly or directly.

- Level 3 – Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recorded to recognize the expected future tax benefits or costs of events that have been, or will be, reported in different tax years for financial statement purposes than for tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which these items are expected to reverse. UNIFI reviews deferred tax assets to determine if it is more-likely-than-not they will be realized. If UNIFI determines it is not more-likely-than-not that a deferred tax asset will be realized, it records a valuation allowance to reverse the previously recognized benefit. Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

UNIFI recognizes tax benefits related to uncertain tax positions if it believes it is more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. UNIFI accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. Income tax expense related to penalties and interest, if incurred, is included in provision for income taxes.

Stock-Based Compensation

Compensation expense for stock awards is based on the grant date fair value and expensed over the applicable vesting period. UNIFI has a policy of issuing new shares to satisfy stock option exercises. For awards with a service condition and a graded vesting schedule, UNIFI has elected an accounting policy of recognizing compensation cost on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award was, in-substance, multiple awards.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries whose functional currency is other than the U.S. Dollar are translated at exchange rates existing at the respective balance sheet dates. Translation gains and losses are not included in determining net income, but are presented in a separate component of accumulated other comprehensive loss. UNIFI translates the results of operations of its foreign operations at the average exchange rates during the respective periods. Transaction gains and losses are included within other operating (income) expense, net.

Revenue Recognition

UNIFI recognizes revenue when (i) there is persuasive evidence of an arrangement, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured. For the sale of goods, revenue recognition occurs primarily upon shipment. For service arrangements, revenue is recognized (a) when transportation services have been completed in accordance with the bill of lading contract or (b) in accordance with contractual agreements with customers utilizing the criteria above. Revenue includes amounts for duties and import taxes, interest billed to customers, and shipping and handling costs billed to customers. Revenue excludes value-added taxes or other sales taxes and includes any applicable deductions for returns and allowances, yarn claims and discounts.

Cost of Sales

The major components of cost of sales are: (i) materials and supplies, (ii) labor and fringe benefits, (iii) utility and overhead costs associated with manufactured products, (iv) cost of products purchased for resale, (v) shipping, handling and warehousing costs, (vi) research and development costs, (vii) depreciation expense and (viii) all other costs related to production or providing service activities.

Shipping, Handling and Warehousing Costs

Shipping, handling and warehousing costs include costs to store goods prior to shipment, prepare goods for shipment and physically move goods to customers.

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

Research and Development Costs

Research and development costs include employee costs, production costs related to customer samples, operating supplies, consulting fees and other miscellaneous costs. The cost of research and development is charged to expense as incurred. Research and development costs were as follows:

	For the Fiscal Year Ended		
	June 25, 2017	June 26, 2016	June 28, 2015
Research and development costs	$7,177	$6,907	$8,113

Selling, General and Administrative Expenses

The major components of SG&A expenses are: (i) costs of UNIFI's sales force, marketing and advertising efforts, and commissions, (ii) costs of maintaining UNIFI's general and administrative support functions including executive management, information technology, human resources, legal and finance, (iii) amortization of intangible assets and (iv) all other costs required to be classified as SG&A expenses.

Advertising Costs

Advertising costs are expensed as incurred and included in SG&A expenses. UNIFI's advertising costs include spending for items such as consumer marketing and branding initiatives, promotional items, trade shows, sponsorships and other programs. Advertising costs were as follows:

	For the Fiscal Year Ended		
	June 25, 2017	June 26, 2016	June 28, 2015
Advertising costs	$3,070	$4,844	$3,975

Self-Insurance

UNIFI self-insures certain risks such as employee healthcare claims. Reserves for incurred but not reported healthcare claims are estimated using historical data, the timeliness of claims processing, medical trends, inflation and any changes, if applicable, in the nature or type of the plan.

Contingencies

At any point in time, UNIFI may be a party to various pending legal proceedings, claims or environmental actions. Accruals for estimated losses are recorded at the time information becomes available indicating that losses are probable and estimable. Any amounts accrued are not discounted. Legal costs such as outside counsel fees and expenses are charged to expense as incurred.

3. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance for the recognition of revenue from contracts with customers. Subsequent ASUs have been issued to provide clarity and defer the effective date. The new revenue recognition standard eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. While UNIFI has not yet determined the effect of the new guidance on its ongoing financial reporting, UNIFI notes the following considerations: (i) the Company is primarily engaged in the business of manufacturing and delivering tangible products utilizing relatively straightforward contract terms without multiple performance obligations and (ii) transaction prices for UNIFI's primary and material revenue activities are determinable and lack significant timing considerations. UNIFI is currently performing the following activities regarding implementation: (a) reviewing material contracts and (b) assessing accounting policy elections and disclosures under the new guidance. In addition, implementation matters remaining include (x) evaluating the systems and processes to support revenue recognition and (y) selecting the method of adoption. The new revenue recognition guidance is effective for the Company's fiscal 2019.

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

In July 2015, the FASB issued ASU 2015-11, Inventory, which modifies the subsequent measurement of inventories recorded under a first-in, first-out or average cost method. Under the new standard, such inventories are required to be measured at the lower of cost and net realizable value. The new standard is effective for UNIFI's fiscal 2018, with prospective application. UNIFI's existing principles for inventory measurement include consideration of net realizable value and, therefore, adoption is expected to have no significant impact to UNIFI's consolidated financial statements.

In February 2016, the FASB issued new accounting guidance for leases. The new guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. While UNIFI has not yet determined the full effect of the new guidance on its ongoing financial reporting, as of June 25, 2017, UNIFI had approximately $6,400 of future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year). The ASU is effective for UNIFI's fiscal 2020, and early adoption is permitted.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, while reducing cost and complexity. The ASU is effective for UNIFI's fiscal 2018. UNIFI expects this guidance to impact the provision for income taxes in future periods, but the timing and magnitude of such impact is not estimable.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The ASU is intended to improve and simplify accounting rules around hedge accounting. The ASU is effective for UNIFI's fiscal 2020 and early adoption is permitted. UNIFI is evaluating the effect the new guidance will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, providing criteria for determining if a license of software, as part of a cloud services arrangement, is subject to capitalization under the existing guidance for internal-use software. UNIFI adopted the guidance in fiscal 2017 and there was no significant impact to UNIFI's consolidated financial statements.

Based on UNIFI's review of ASUs, there have been no other newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a significant impact on UNIFI's consolidated financial statements.

4. Sale of Renewables

On December 23, 2016, UNIFI, through a wholly owned foreign subsidiary, entered into a Membership Interest Purchase Agreement (the "RR Agreement") to sell its 60% equity ownership interest in Repreve Renewables, LLC ("Renewables") to its existing third-party joint venture partner for $500 in cash and release of certain debt obligations (the "RR Sale"). UNIFI had no continuing involvement in the operations of Renewables subsequent to December 23, 2016.

In connection with the RR Sale, UNIFI recognized a loss on sale of business, reflecting the difference between the cash consideration received and UNIFI's portion of Renewables' net assets on the date of the RR Agreement. The operations of Renewables during the period of UNIFI's ownership are not reflected as discontinued operations as (i) the enterprise does not have a major effect on UNIFI's consolidated operations and financial results, (ii) the disposal does not represent a strategic shift and (iii) the enterprise is not an individually significant component. The operations of Renewables up to the date of the RR Sale are reflected in continuing operations within the accompanying consolidated statements of income.

The loss on the sale of the business is not relevant to UNIFI's core operations and is not reflective of the primary revenue or expense activity of UNIFI. Therefore, UNIFI has recorded the loss on the sale of Renewables below operating income within the accompanying consolidated statements of income.

Unifi, Inc.

Notes to Consolidated Financial Statements – (Continued)

Deconsolidation of Renewables resulted in the removal of all corresponding assets (the most significant of which was $4,472 of miscanthus grass, net of depreciation, historically reflected in other non-current assets) and liabilities and the elimination of the non-controlling interest in Renewables from UNIFI's consolidated balance sheet as of December 25, 2016, as summarized in the table below.

Cash purchase price	$500
Net assets and liabilities of Renewables	(3,540)
Derecognition of non-controlling interest	1,416
Transaction-related costs	(38)
Loss on sale of business	$(1,662)

UNIFI's consolidated balance sheet as of June 26, 2016 includes the consolidated accounts of Renewables, along with a non-controlling interest adjustment; while UNIFI's consolidated balance sheet as of June 25, 2017 does not reflect any assets, liabilities or non-controlling interest of Renewables.

5. Receivables, Net

Receivables, net consists of the following:

	June 25, 2017	June 26, 2016
Customer receivables	$83,291	$86,361
Allowance for uncollectible accounts	(2,222)	(2,839)
Reserves for yarn quality claims	(1,278)	(795)
Net customer receivables	79,791	82,727
Related party receivables	6	7
Other receivables	1,324	688
Total receivables, net	$81,121	$83,422

Other receivables consist primarily of refunds due for non-income related taxes and refunds due from vendors.

The changes in UNIFI's allowance for uncollectible accounts and reserves for yarn quality claims were as follows: