

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10/A  
Amendment No. 1

GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(b) OR 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Delta Apparel, Inc.

-----  
(Exact Name of Registrant as Specified in Its Charter)

Georgia  
(State or Other Jurisdiction of  
Incorporation or Organization)

58-2508794  
(IRS Employer  
Identification No.)

3355 Breckinridge Blvd., Suite 100, Duluth, GA  
(Address of Principal Executive Offices)

30096  
(Zip Code)

(770) 806-6800

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(Registrant's Telephone Number, Including Area Code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class  
To Be So Registered  
-----

Name of Each Exchange on Which  
Each Class Is To Be Registered  
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Common Stock, par value \$0.01  
Common Stock Purchase Rights

American Stock Exchange  
American Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act:

None

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Except as otherwise indicated below, the information required to be contained in this Registration Statement on Form 10/A of Delta Apparel, Inc., a Georgia corporation ("Delta Apparel" or "the Company"), is contained in the Information Statement included as Exhibit 99.1 hereto (the "Information Statement") and is incorporated herein by reference from that document as specified below. Below is a list of the items of information required by the instructions to Form 10 and the locations in the Information Statement where such information can be found if not otherwise included below.

ITEM 1. BUSINESS.

See "Business of Delta Apparel"

"Management's Discussion and Analysis of Financial Condition and Results of Operations - First Six Months of Fiscal Year 2000 versus First Six Months of Fiscal Year 1999 - Order Backlog"

ITEM 2. FINANCIAL INFORMATION.

See "Summary -- Selected Historical Financial Data"

"Management's Discussion and Analysis of Financial Conditions and Results of Operations" ("MD&A")  
"MD&A -- Quantitative and Qualitative Disclosures About Market Risk"

ITEM 3. PROPERTIES.

See "Business of Delta Apparel -- Properties"

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See "Security Ownership of Significant Beneficial Owners and Management"

ITEM 5. DIRECTORS AND OFFICERS.

See "Management of Delta Apparel -- Directors"  
"Management of Delta Apparel -- Executive Officers"

ITEM 6. EXECUTIVE COMPENSATION.

See "Management of Delta Apparel -- Management Compensation"

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See "Relationships Among Delta Apparel, Delta Woodside and Duck Head"  
"Interests of Directors and Executive Officers in the Delta Apparel  
Distribution"

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ITEM 8. LEGAL PROCEEDINGS.

See "Business of Delta Apparel -- Legal Proceedings"

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

See "Trading Market"  
"MD&A -- Dividends and Purchases by Delta Apparel of its Own Shares"

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES.

See "Description of Delta Apparel Capital Stock - Recent Sales of  
Unregistered Securities"

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED.

See "Description of Delta Apparel Capital Stock"

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

See "Description of Delta Apparel Capital Stock -- Limitation on Liability  
of Directors" and "-- Indemnification of Directors"

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Unaudited Pro Forma Combined Financial Statements  
Audited Combined Financial Statements  
Unaudited Condensed Combined Financial Statements

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements

See Index to Financial Statements  
Exhibit 99.2\*

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(b) Exhibits.

2.1 Distribution Agreement by and among Delta Woodside  
Industries, Inc, DH Apparel Company, Inc. (to be renamed  
Duck Head Apparel Company, Inc.) and the Company.

- 3.1 Articles of Incorporation of the Company. \*
- 3.2.1 Bylaws of the Company. \*
- 3.2.2 Amendment to Bylaws of the Company adopted January 20, 2000.
- 3.2.3 Amendment to Bylaws of the Company adopted February 17, 2000.
- 4.1 See Exhibits 3.1, 3.2.1, 3.2.2 and 3.2.3.
- 4.2 Specimen certificate for common stock, par value \$0.01 per share, of the Company will be sent in next filing.
- 4.3 Shareholder Rights Agreement, dated January 27, 2000, by and among the Company and First Union National Bank.
- 10.1 See Exhibits 2.1 and 4.3.
- 10.2 Tax Sharing Agreement by and among Delta Woodside Industries, Inc., Duck Head Apparel Company, Inc. and the Company.
- 10.3.1 Letter dated December 14, 1998, from Delta Woodside Industries, Inc. to Robert W. Humphreys: Incorporated by reference to the Form 10-Q/A of Delta Woodside Industries, Inc. for the quarterly period ended December 26, 1998 (Commission File No. 1-10095).
- 10.3.2 Letter dated April 22, 1999, from Delta Woodside Industries, Inc. to Robert W. Humphreys: Incorporated by reference to the Form 10-K of Delta Woodside Industries, Inc. for the fiscal year ended July 3, 1999 (Commission File No. 1-10095).
- 10.4 Delta Apparel, Inc. 2000 Stock Option Plan, Effective as of February 15, 2000, Amended & Restated March 15, 2000.
- 10.5 Delta Apparel, Inc. Incentive Stock Award Plan, Effective February 15, 2000, Amended & Restated March 15, 2000.

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- 10.6 Delta Apparel, Inc. Deferred Compensation Plan for Key Managers.
- 10.7 Form of Amendment of Certain Rights and Benefits Relating to Stock Options and Deferred Compensation by and between Delta Woodside Industries, Inc., the Company and certain pre-spin-off Delta Woodside Industries, Inc. plan participants. (Several persons will sign substantially identical documents. A schedule listing director and officer signatories will be filed by amendment.)
- 21.1 Subsidiaries of the Company.
- 27.1 Financial Data Schedule (electronic filing only).
- 99.1 Information Statement of Delta Apparel, Inc.
- 99.2 Valuation and Qualifying Accounts
- \* Previously filed with initial filing.

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#### SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

DELTA APPAREL, INC.

Date: March 28, 2000  
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By: /s/ Herbert M. Mueller  
-----  
Herbert M. Mueller  
Vice President, Chief Financial Officer  
and Treasurer

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#### EXHIBITS

- 2.1 Distribution Agreement by and among Delta Woodside Industries, Inc, DH Apparel Company, Inc. (to be renamed Duck Head Apparel Company, Inc.) and the Company.
- 3.1 Articles of Incorporation of the Company. \*
- 3.2.1 Bylaws of the Company. \*
- 3.2.2 Amendment to Bylaws of the Company adopted January 20, 2000.
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- 21.1 Subsidiaries of the Company.
- 27.1 Financial Data Schedule (electronic filing only).
- 99.1 Information Statement of Delta Apparel, Inc.
- 99.2 Valuation and Qualifying Accounts

\* Previously filed with initial filing.

## DISTRIBUTION AGREEMENT

This DISTRIBUTION AGREEMENT (this "Distribution Agreement"), dated as of March 15, 2000, is entered into by and among DELTA WOODSIDE INDUSTRIES, INC., a South Carolina corporation ("Delta Woodside"), DH APPAREL COMPANY, INC., a Georgia corporation to be renamed Duck Head Apparel Company, Inc. ("Duck Head"), and DELTA APPAREL, INC., a Georgia corporation ("Delta Apparel").

WHEREAS, the respective Boards of Directors of Delta Woodside, Duck Head and Delta Apparel have approved the transactions contemplated by this Distribution Agreement, upon the terms and subject to the conditions set forth herein, as being in the best interests of Delta Woodside, Duck Head and Delta Apparel, respectively;

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties and agreements contained herein the parties hereto agree as follows:

### ARTICLE 1

#### CERTAIN DEFINITIONS

1.1 Definitions. (a) As used herein, the following terms have the following meanings:

"Action" means any claim, suit, action, arbitration, inquiry, investigation or other proceeding of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial or otherwise) by or before any arbitrator or Governmental Entity.

"Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by, or under common control with, that Person. For the purposes of this definition, the term "control" (including the correlative terms "controlling", "controlled by" and "under common control with") means the direct or indirect possession of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. For purposes of this Distribution Agreement, no member of one Group shall be treated as an Affiliate of any member of another Group.

"Business" means the Delta Woodside Business, the Duck Head Business or the Delta Apparel Business, as the context may indicate.

"Business Day" means any day other than a Saturday, Sunday or one on which banks are authorized or required by law to close in Greenville, South Carolina.

"Contract" shall mean any note, bond, mortgage, indenture, lease, contract, agreement, obligation, understanding, commitment or other similar arrangement, whether written or oral.

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"Defense Materials" means, with respect to any Group, any and all written or oral information (including, without limitation, any and all (A) written or electronic communications, (B) documents (including electronic versions thereof), (C) factual and legal analyses and memoranda, (D) interview reports and reports of experts, consultants or investigators, (E) meetings in person or by telephone and e-mail or other forms of electronic communication, and (F) records, reports or testimony regarding those communications, documents, memoranda or meetings) (i) within the custody or control, within the meaning of Rule 34 of the Federal Rules of Civil Procedure, of or reasonably accessible by that Group or its Representatives and (ii) directly or indirectly arising out of or relating to, the preparation or litigation of any Action in which Delta Woodside, Duck Head and/or Delta Apparel have a common interest.

"Delta Apparel Board" means the Board of Directors of Delta Apparel.

"Delta Apparel Business" means the businesses and operations of the Delta Apparel Group, whether conducted prior to, at or after the Effective Time, which

include the manufacturing, marketing and sale of knit apparel.

"Delta Apparel Common Stock" means the common stock, par value \$0.01 per share, of Delta Apparel.

"Delta Apparel Disclosure Documents" means the Delta Apparel Information Statement, the Delta Apparel Form 10 and each other report or filing made by Delta Apparel under the Securities Act or the Exchange Act [or with the American Stock Exchange] in connection with the matters contemplated by any of the Distribution Documents, in each case as amended or supplemented.

"Delta Apparel Employees" means those individuals listed on the payroll records of any member of the Delta Apparel Group after the Effective Time, or who are identified as a Delta Apparel Employee on the Delta Apparel Disclosure Schedule, and shall not include individuals who are Delta Woodside Employees or Duck Head Employees.

"Delta Apparel Employee Group" means all Delta Apparel Employees and Delta Apparel Retirees and their respective beneficiaries.

"Delta Apparel Form 10" means the registration statement on Form 10 that Delta Apparel has filed with the SEC to register the Delta Apparel Common Stock under the Exchange Act in connection with the Distribution, as that registration statement may be amended from time to time.

"Delta Apparel Group" means, on and after the Effective Time, Delta Apparel and the Subsidiaries of Delta Apparel, including all predecessors (other than any member of the Delta Woodside Group or any member of the Duck Head Group) and successors to each of those Persons.

"Delta Apparel Group Liabilities" means, except as otherwise specifically provided in any Distribution Document, all Liabilities, whether arising before, at or after the Effective Time, (i) of

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or in any way relating, in whole or in part, to any member of the Delta Apparel Group (other than any Liabilities arising primarily from the conduct of or in connection with, in whole or in part, the Delta Woodside Business or the Duck Head Business) or (ii) arising from the conduct of, in connection with or in any way relating to, in whole or in part, the Delta Apparel Business, or the ownership or use of assets or property in connection with the Delta Apparel Business or (iii) arising under Contracts included in the Delta Apparel Assets (including any Liabilities under such Contracts resulting from the consummation of the transactions contemplated by this Distribution Agreement) or (iv) of Delta Apparel arising under any of the Distribution Documents. Notwithstanding the foregoing, "Delta Apparel Group Liabilities" shall exclude (i) all Liabilities for Taxes of any member of the Delta Apparel Group (because the Tax Sharing Agreement will govern those Liabilities) and (ii) all Liabilities for the fees, costs, expenses and transfer taxes (and other similar fees and expenses), or portion thereof, that a specific provision of this Distribution Agreement imposes on Delta Woodside or Duck Head. Without limiting the generality of the foregoing, Delta Apparel Group Liabilities include all liabilities that may arise under or in connection with that certain litigation captioned Scelza et al. v. Caldor, Inc. et al. that is pending in the Supreme Court of the State of New York in New York County, New York.

"Delta Apparel Information Statement" means the information statement, substantially complying with the disclosure items of Schedule 14C of the Exchange Act, that Delta Apparel will file as an exhibit to the Delta Apparel Form 10 and send to each Delta Woodside Stockholder of record as of the Record Date in connection with the Distribution.

"Delta Apparel Material Adverse Effect" shall be deemed to occur if the aggregate consequences of all breaches and inaccuracies of covenants and representations of Delta Apparel, when read without any exception or qualification for a Delta Apparel Material Adverse Effect, are reasonably likely to have a material adverse effect on Delta Apparel's ability to consummate the transactions contemplated by this Distribution Agreement or on the business, operations or financial condition of Delta Apparel and its Subsidiaries, Delta Woodside and its Subsidiaries (excluding the Duck Head Group and the Delta Apparel Group) or Duck Head and its Subsidiaries taken as a whole.

"Delta Apparel Retirees" means those individuals who were employed in the Delta Apparel Business immediately before those individuals' retirement or other

termination of employment or who are identified as Delta Apparel Retirees on the Delta Apparel Disclosure Schedule.

"Delta Apparel Share" means a share of the Delta Apparel Common Stock.

"Delta Woodside Board" means the Board of Directors of Delta Woodside.

"Delta Woodside Business" means the businesses and operations of the Delta Woodside Group (but excluding the Delta Apparel Business and the Duck Head Business), whether conducted prior to, at or after the Effective Time, which include the manufacturing, marketing and sale of woven textile products.

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"Delta Woodside Common Stock" means the common stock, par value \$0.01 per share, of Delta Woodside.

"Delta Woodside Disclosure Documents" means each report or filing made by Delta Woodside under the Exchange Act in connection with the matters contemplated by any of the Distribution Documents, any information in the Duck Head Information Statement, the Duck Head Form 10, the Delta Apparel Information Statement or the Delta Apparel Form 10 that is provided by Delta Woodside or its Representatives (other than a matter relating to the Duck Head Group or the Delta Apparel Group) and each other report or filing made by Delta Woodside under the Securities Act or the Exchange Act in connection with the matters contemplated by any of the Distribution Documents, in each case as amended or supplemented.

"Delta Woodside Employees" means those individuals listed on the payroll records of any member of the Delta Woodside Group after the Effective Time, or who are identified as a Delta Woodside Employee on the Delta Woodside Disclosure Schedule, and shall not include individuals who are Delta Apparel Employees or Duck Head Employees.

"Delta Woodside Employee Group" means all Delta Woodside Employees and Delta Woodside Retirees and their respective beneficiaries.

"Delta Woodside Group" means, on and after the Effective Time, Delta Woodside and the Subsidiaries of Delta Woodside, including all predecessors and successors to each of those Persons (other than any member of the Delta Apparel Group or the Duck Head Group).

"Delta Woodside Group Liabilities" means, except as otherwise specifically provided in any Distribution Document, all Liabilities, whether arising before, at or after the Effective Time, (i) of or in any way relating, in whole or in part, to any member of the Delta Woodside Group (other than any Liabilities arising primarily from the conduct of or in connection with, in whole or in part, the Duck Head Business or the Delta Apparel Business) or (ii) arising from the conduct of, in connection with or in any way relating to, in whole or in part, the Delta Woodside Business, or the ownership or use of assets or property in connection with the Delta Woodside Business or (iii) arising under Contracts under which any of Delta Woodside or any of its Subsidiaries has any Liability and that are not included in the Delta Apparel Assets or the Duck Head Assets (including any Liabilities under such Contracts resulting from the consummation of the transactions contemplated by this Distribution Agreement) or (iv) of Delta Woodside arising under any of the Distribution Documents. Notwithstanding the foregoing, "Delta Woodside Group Liabilities" shall exclude (i) all Liabilities for Taxes of any member of the Delta Woodside Group (because the Tax Sharing Agreement will govern those Liabilities) and (ii) all Liabilities for the fees, costs, expenses and transfer taxes (and other similar fees and expenses), or portion thereof, that a specific provision of this Distribution Agreement imposes on Duck Head or Delta Apparel.

"Delta Woodside Material Adverse Effect" shall be deemed to occur if the aggregate consequences of all breaches and inaccuracies of covenants and representations of Delta Woodside,

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when read without any exception or qualification for a Delta Woodside Material Adverse Effect, are reasonably likely to have a material adverse effect on Delta Woodside's ability to consummate the transactions contemplated by this Distribution Agreement or on the business, operations or financial condition of Delta Woodside and its Subsidiaries (excluding the Duck Head Group and the Delta



Apparel Group), Duck Head and its Subsidiaries or Delta Apparel and its Subsidiaries, taken as a whole.

"Delta Woodside Retirees" means those individuals who were employed in the Delta Woodside Business immediately before those individuals' retirement or other termination of employment or who are identified as Delta Woodside Retirees on the Delta Woodside Disclosure Schedule.

"Delta Woodside Share" means a share of the Delta Woodside Common Stock.

"Delta Woodside Stockholders" means the holders of the Delta Woodside Common Stock.

"Distribution" means the distribution by Delta Woodside, pursuant to the terms and subject to the conditions of this Distribution Agreement, of all of the outstanding Duck Head Shares and all of the outstanding Delta Apparel Shares to the Delta Woodside Stockholders of record as of the Record Date.

"Distribution Agent" means First Union National Bank or its successor.

"Distribution Agent Agreement" means an agreement to be entered into prior to the Effective Time by the Distribution Agent with respect to the Distribution.

"Distribution Date" means the Business Day on which the Distribution is effected.

"Distribution Documents" means this Distribution Agreement, the Tax Sharing Agreement, and the exhibits and schedules to those agreements.

"Duck Head Board" means the Board of Directors of Duck Head.

"Duck Head Business" means the businesses and operations of the Duck Head Group, whether conducted prior to, at or after the Effective Time, which include the manufacturing, marketing and sale of apparel bearing the Duck Head trademark.

"Duck Head Common Stock" means the common stock, par value \$0.01 per share, of Duck Head.

"Duck Head Disclosure Documents" means the Duck Head Information Statement, the Duck Head Form 10 and each other report or filing made by Duck Head under the Securities Act or the Exchange Act [or with the American Stock Exchange] in connection with the matters contemplated

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by any of the Distribution Documents, in each case as amended or supplemented.

"Duck Head Employees" means those individuals listed on the payroll records of any member of the Duck Head Group after the Effective Time, or who are identified as a Duck Head Employee on the Duck Head Disclosure Schedule, and shall not include individuals who are Delta Woodside Employees or Delta Apparel Employees.

"Duck Head Employee Group" means all Duck Head Employees and Duck Head Retirees and their respective beneficiaries.

"Duck Head Form 10" means the registration statement on Form 10 that Duck Head has filed with the SEC to register the Duck Head Common Stock under the Exchange Act in connection with the Distribution, as that registration statement may be amended from time to time.

"Duck Head Group" means, on and after the Effective Time, Duck Head and the Subsidiaries of Duck Head, including all predecessors (other than any member of the Delta Woodside Group or any member of the Delta Apparel Group) and successors to each of those Persons.

"Duck Head Group Liabilities" means, except as otherwise specifically provided in any Distribution Document, all Liabilities, whether arising before, at or after the Effective Time, (i) of or in any way relating, in whole or in part, to any member of the Duck Head Group (other than any Liabilities arising primarily from the conduct of or in connection with, in whole or in part, the Delta Woodside Business or the Delta Apparel Business) or (ii) arising from the conduct of, in connection with or in any way relating to, in whole or in part,

the Duck Head Business, or the ownership or use of assets or property in connection with the Duck Head Business or (iii) arising under Contracts included in the Duck Head Assets (including any Liabilities under such Contracts resulting from the consummation of the transactions contemplated by this Distribution Agreement) or (iv) of Duck Head arising under any of the Distribution Documents. Notwithstanding the foregoing, "Duck Head Group Liabilities" shall exclude (i) all Liabilities for Taxes of any member of the Duck Head Group (because the Tax Sharing Agreement will govern those Liabilities) and (ii) all Liabilities for the fees, costs, expenses and transfer taxes (and other similar fees and expenses), or portion thereof, that a specific provision of this Distribution Agreement imposes on Delta Woodside or Delta Apparel.

"Duck Head Information Statement" means the information statement, substantially complying with the disclosure items of Schedule 14C of the Exchange Act, that Duck Head will file as an exhibit to the Duck Head Form 10 and send to each Delta Woodside Stockholder of record as of the Record Date in connection with the Distribution.

"Duck Head Material Adverse Effect" shall be deemed to occur if the aggregate consequences of all breaches and inaccuracies of covenants and representations of Duck Head, when read without any exception or qualification for a Duck Head Material Adverse Effect, are reasonably likely to have a material adverse effect on Duck Head's ability to consummate the transactions contemplated by this Distribution Agreement or on the business, operations or financial condition

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of Duck Head and its Subsidiaries, Delta Woodside and its Subsidiaries (excluding the Duck Head Group and the Delta Apparel Group) or Delta Apparel and its Subsidiaries taken as a whole.

"Duck Head Retirees" means those individuals who were employed in the Duck Head Business immediately before those individuals' retirement or other termination of employment or who are identified as Duck Head Retirees on the Duck Head Disclosure Schedule.

"Duck Head Share" means a share of the Duck Head Common Stock.

"Effective Time" means the time immediately before the close of business on the Distribution Date.

"Governmental Entity" means any government or any state, department or other political subdivision thereof, or any governmental body, agency, authority (including, but not limited to, any central bank or taxing authority) or instrumentality (including, but not limited to, any court, tribunal or grand jury) exercising executive, prosecutorial, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Group" means, as the context requires, the Delta Woodside Group, the Duck Head Group or the Delta Apparel Group.

"Knowledge," "best knowledge" or any similar formulation of "knowledge" shall mean the knowledge of Delta Woodside's, Duck Head's or Delta Apparel's respective executive officers with respect to Delta Woodside, Duck Head and Delta Apparel, respectively.

"Liabilities" means any and all claims, debts, liabilities, assessments, fines, penalties, damages, losses, disgorgements and obligations, of any kind, character or description (whether fixed, absolute, contingent, matured, not matured, liquidated, unliquidated, accrued, not accrued, known, unknown, direct, indirect, derivative or otherwise), whenever and however arising, whether or not the same would be required by generally accepted accounting principles to be reflected in financial statements or disclosed in the notes thereto, including, but not limited to, all costs and expenses relating thereto (including, but not limited to, all expenses of investigation, all attorneys' fees and all out-of-pocket expenses in connection with any Action or threatened Action).

"Person" means an individual, corporation, limited liability company, limited liability partnership, partnership, association, trust or other entity or organization, including a Governmental Entity.

"Record Date" means the date determined by the Delta Woodside Board (or by a committee of that board or any other Person acting under authority duly

delegated to that committee or Person by the Delta Woodside Board or a committee of that board) as the record date for determining the Delta Woodside Stockholders of record entitled to receive the Distribution.

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"Representatives" means, with respect to any party hereto, such party's directors, officers, employees, agents, consultants, attorneys and advisors.

"SEC" means the Securities and Exchange Commission.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by that Person.

"Tax" has the meaning assigned to that term in the Tax Sharing Agreement.

"Tax Sharing Agreement" means the Tax Sharing Agreement to be dated as of the Distribution Date among Delta Woodside, Duck Head and Delta Apparel.

"Welfare Benefits" means medical, surgical or hospital care or benefits, or benefits in the event of sickness, accident, disability, death or unemployment, or vacation benefits, apprenticeship or other training programs, or day care centers, scholarship funds or prepaid legal services; provided that Welfare Benefits do not include pensions on retirement or death or insurance to provide those pensions.

(b) Each of the following terms is defined in the Section (or Article) set forth opposite that term:

Term -----	Section (or Article) -----
Alchem	2.1
BNY	4.2
COBRA Coverage	8.8
Code	4.10
Consent	4.4
Damages	14.1
Delta Apparel 401(k) Plan	8.3
Delta Apparel Assets	2.1
Delta Apparel Benefit Plans	6.9
Delta Apparel Disclosure Schedule	Article 6
Delta Apparel Financing	2.2
Delta Apparel Interim Financial Statements	6.5
Delta Apparel Obligations	2.1
Delta Apparel Permits	6.12
Delta Apparel Preferred Stock	6.2
Delta Consolidated	2.1

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Delta Merchandising	2.1
Delta Mills	2.1
Delta Mills Credit Agreement	4.2
Delta Woodside 401(k) Plan	8.3
Delta Woodside Benefit Plans	4.9
Delta Woodside Credit Agreement	4.2
Delta Woodside Disclosure Schedule	Article 4
Delta Woodside Interim Financial Statements	4.5
Delta Woodside Permits	4.12
Delta Woodside Preferred Stock	4.2
Delta Woodside SEC Reports	4.5
Delta Woodside Stock Options	4.2
DHAC	2.1
Duck Head 401(k) Plan	8.3
Duck Head Assets	2.1
Duck Head Benefit Plans	5.9
Duck Head Disclosure Schedule	Article 5
Duck Head Financing	2.2
Duck Head Interim Financial Statements	5.5
Duck Head Obligations	2.1
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Duck Head Preferred Stock	5.2
Environmental Law	4.16
ERISA	4.9
Exchange Act	4.4
GAAP	4.5
GECC	4.2
Hazardous Substance	4.16
Intercompany Reorganization	2.1
IRS	4.10
Lien	4.4
New Delta Woodside Financing	9.7
Permitted Acquisition Proposal	9.6
Rainsford Plant Purchase	2.1
Securities Act	4.4
Violation	4.4
WARN Act	8.11

ARTICLE 2

PRE-DISTRIBUTION TRANSACTIONS

2.1 Effectuation of Intercompany Reorganization. No later than the  
 --- -----  
 Effective Time, Delta Woodside, Duck Head and Delta Apparel shall have caused, to the extent within their respective powers, the following (collectively, the "Intercompany Reorganization") to have been effected:

(a) Delta Woodside shall contribute, as contributions to capital, all net debt amounts owed to it by each of Delta Consolidated Corporation ("Delta Consolidated"), Delta Merchandising, Inc. ("Delta Merchandising"), Duck Head Apparel Company, Inc. ("DHAC") and International Apparel Marketing Corporation ("IAMC") to Delta Consolidated, Delta Merchandising, DHAC and IAMC, respectively.

(b) Alchem Capital Corporation ("Alchem") shall transfer, as a contribution to capital, to DHAC all of the outstanding capital stock of Delta Consolidated and Delta Merchandising.

(c) DHAC and Delta Woodside shall transfer, or cause to be transferred, as a contribution to capital, to Delta Consolidated all of the outstanding capital stock of Delta Apparel Honduras, S.A. that is beneficially owned by DHAC, Delta Woodside and Alchem. Delta Apparel Honduras, S.A. shall redeem the portion of its capital stock beneficially owned by Cargud, S.A.

(d) Delta Woodside shall cause title to all assets used in the operation of the Delta Apparel Company division of various subsidiaries of Delta Woodside and all assets that pertain to such operation or to such assets (collectively, the "Delta Apparel Assets"), other than any intellectual property assets owned by Alchem that are part of the Delta Apparel Assets and the Rainsford Plant located in Edgefield, SC, to be transferred to Delta Consolidated. In order to accomplish this, among other matters, DHAC shall transfer to Delta Consolidated, as a contribution to capital, all assets owned by DHAC that are part of the Delta Apparel Assets.

(e) DHAC shall transfer, as a contribution to capital, to Delta Apparel all of the outstanding capital stock of Delta Consolidated.

(f) Delta Consolidated shall merge with and into Delta Apparel, with Delta Apparel to be the surviving corporation in the merger.

(g) Delta Mills, Inc. ("Delta Mills") shall sell to Delta Apparel, and Delta Apparel shall purchase from Delta Mills, the Rainsford Plant, located in Edgefield, SC, for a purchase price equal to the book value of the purchased assets, which Delta Woodside and Delta Apparel believe equals the fair market value of those assets (the "Rainsford Plant Purchase").

(h) Delta Apparel (either directly or through Delta Consolidated) shall assume all of the Liabilities of the Delta Apparel Company division of various subsidiaries of Delta Woodside (the

"Delta Apparel Obligations"), and shall cause all holders of indebtedness for borrowed money that are part of the Delta Apparel Obligations and all lessors of leases that are part of the Delta Apparel Obligations to release all obligors (other than any member of the Delta Apparel Group) of such indebtedness and under such leases and to release all related liens covering the property of any Person other than a member of the Delta Apparel Group (except where Delta Woodside or Duck Head, as applicable, consents to not being released from the obligations).

(i) Delta Woodside shall cause those individuals who are employed by the Delta Apparel Company division of various subsidiaries of Delta Woodside to become employees of Delta Apparel, Delta Apparel shall assume the accrued employee benefits of such employees and Delta Woodside shall cause the account balance of each such employee in any and all of Delta Woodside's employee benefit plans (other than the Delta Woodside Stock Option Plan and the Delta Woodside Incentive Stock Award Plan) to be transferred to a comparable employee benefit plan of Delta Apparel.

(j) DHAC shall transfer, as a contribution to capital, to Duck Head all of the outstanding capital stock of Delta Merchandising and Cargud, S.A.

(k) Delta Woodside shall cause title to all assets used in the operation of the Duck Head Apparel Company division of various subsidiaries of Delta Woodside and all assets that pertain to such operation or to such assets (collectively, the "Duck Head Assets"), other than the intellectual property assets owned by Alchem that are part of the Duck Head Assets and the Distribution Facility, located in Winder, GA, that is part of the Duck Head Assets, to be transferred to Duck Head. In order to accomplish this, among other matters, DHAC shall transfer to Duck Head, as a contribution to capital, all assets owned by DHAC that are part of the Duck Head Assets.

(l) Duck Head shall assume all of the Liabilities of the Duck Head Apparel Company division of various subsidiaries of Delta Woodside (the "Duck Head Obligations"), and shall cause all holders of indebtedness for borrowed money that are part of the Duck Head Obligations and all lessors of leases that are part of the Duck Head Obligations to release all obligors (other than any member of the Duck Head Group) of such indebtedness and under such leases and to release all related liens covering the property of any Person other than a member of the Duck Head Group (except where Delta Woodside or Delta Apparel, as applicable, consents to not being released from the obligations).

(m) Delta Woodside shall cause those individuals who are employed by the Duck Head Apparel Company division of various subsidiaries of Delta Woodside to become employees of Duck Head, Duck Head shall assume the accrued employee benefits of such employees and Delta Woodside shall cause the account balance of each such employee in any and all of Delta Woodside's employee benefit plans (other than the Delta Woodside Stock Option Plan and the Delta Woodside Incentive Stock Award Plan) to be transferred to a comparable employee benefit plan of Duck Head.

(n) Delta Woodside shall cause all holders of indebtedness for borrowed money that are not part of the Duck Head Obligations or the Delta Apparel Obligations and all lessors of leases that

are not part of the Duck Head Obligations or the Delta Apparel Obligations to release all obligors (other than any member of the Delta Woodside Group) of such indebtedness and under such leases and to release all related liens covering the property of any Person other than a member of the Delta Woodside Group (except where Duck Head or Delta Apparel, as the case may be, consents to not being released from the obligations).

(o) Delta Apparel shall transfer to Duck Head all of the sales operation assets of Delta Apparel that, immediately prior to the merger described in paragraph (f) above, were those of the Duck Head Apparel division of Delta Consolidated, and Duck Head shall assume all of Delta Apparel's obligations relating to such assets and the business of Delta Apparel that, immediately prior to the merger described in paragraph (f) above, was the business of the Duck Head Apparel division of Delta Consolidated, in exchange for a purchase price equal to the fair market value of the purchased assets (less the assumed liabilities).

(p) DHAC and IAMC shall merge with and into Alchem, with Alchem to be the surviving corporation in the merger.

(q) Alchem shall transfer to Delta Apparel, as a contribution to capital, all intellectual property assets, if any, owned by Alchem that are part of the Delta Apparel Assets.

(r) Alchem shall transfer to Duck Head, as a contribution to capital, all intellectual property assets owned by Alchem that are part of the Duck Head Assets.

(s) Alchem shall merge with and into Delta Woodside, with Delta Woodside to be the surviving corporation in the merger.

(t) Delta Woodside shall transfer to Duck Head, as a contribution to capital, the Distribution Facility, located in Winder, GA, that is part of the Duck Head Assets.

(u) Duck Head shall be renamed "Duck Head Apparel Company, Inc."

## 2.2 Duck Head Financing and Delta Apparel Financing.

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(a) Prior to the Effective Time, Duck Head shall have obtained credit facilities (the "Duck Head Financing") that Duck Head believes will be sufficient to satisfy its reasonably anticipated working capital needs.

(b) Prior to the Effective Time, Delta Apparel shall have obtained credit facilities (the "Delta Apparel Financing") that Delta Apparel believes will be sufficient to pay the purchase price in the Rainsford Plant Purchase and to satisfy Delta Apparel's reasonably anticipated working capital needs.

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## ARTICLE 3

### THE DISTRIBUTION

#### 3.1 Cooperation Before the Distribution.

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(a) Duck Head.

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(i) Delta Woodside and Duck Head have prepared, and Duck Head has filed with the SEC, the Duck Head Form 10, which includes as an exhibit the Duck Head Information Statement. The Duck Head Information Statement sets forth disclosure concerning Duck Head and the Distribution. Delta Woodside and Duck Head shall use all commercially reasonable efforts to cause the Duck Head Form 10 (together with the Duck Head Information Statement attached as an exhibit) to become effective under the Exchange Act as soon as practicable. After the Duck Head Form 10 (together with the Duck Head Information Statement attached as an exhibit) has become effective, Delta Woodside shall mail the Duck Head Information Statement as promptly as practicable to the Delta Woodside Stockholders of record as of the Record Date.

(ii) As promptly as practicable, Duck Head shall prepare, file and pursue an application to permit the listing of shares of the Duck Head Common Stock on [the American Stock Exchange].

(b) Delta Apparel.

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(i) Delta Woodside and Delta Apparel have prepared, and Delta Apparel has filed with the SEC, the Delta Apparel Form 10, which includes as an exhibit the Delta Apparel Information Statement. The Delta Apparel Information Statement sets forth disclosure concerning Delta Apparel and the Distribution. Delta Woodside and Delta Apparel shall use all commercially reasonable efforts to cause the Delta Apparel Form 10 (together with the Delta Apparel Information Statement attached as an exhibit) to become effective under the Exchange Act as soon as practicable. After the Delta Apparel Form 10 (together with the Delta Apparel

Information Statement attached as an exhibit) has become effective, Delta Woodside shall mail the Delta Apparel Information Statement as promptly as practicable to the Delta Woodside Stockholders of record as of the Record Date.

(ii) As promptly as practicable, Delta Apparel shall prepare, file and pursue an application to permit the listing of shares of the Delta Apparel Common Stock on [the American Stock Exchange].

(c) Plans. Delta Woodside, Duck Head and Delta Apparel shall cooperate in  
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preparing and filing with the SEC and causing to become effective any registration statements or amendments thereto that are necessary or appropriate to reflect the establishment of or amendments to any

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employee benefit and other plans contemplated by the Distribution Documents.

(d) Blue Sky Laws. Delta Woodside, Duck Head and Delta Apparel shall take  
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all actions as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by the Distribution Documents.

3.2 Delta Woodside Board Action. The Delta Woodside Board shall, in its  
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discretion, establish (or delegate authority to establish) the Record Date and the Distribution Date and any appropriate procedures in connection with the Distribution.

3.3 The Distribution. Subject to the terms and conditions set forth or  
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described in this Distribution Agreement, (i) on or before the Distribution Date, Delta Woodside shall deliver or cause to be delivered to the Distribution Agent for the benefit of the Delta Woodside Stockholders of record on the Record Date, a stock certificate or certificates, endorsed by Delta Woodside in blank, representing all of the then outstanding shares of Duck Head Common Stock, (ii) on or before the Distribution Date, Delta Woodside shall deliver or cause to be delivered to the Distribution Agent for the benefit of the Delta Woodside Stockholders of record on the Record Date, a stock certificate or certificates, endorsed by Delta Woodside in blank, representing all of the then outstanding shares of Delta Apparel Common Stock, (iii) the Distribution shall be effective as of the Effective Time, (iv) Delta Woodside and Duck Head shall instruct the Distribution Agent to distribute to, or make book-entry credits for, on or as soon as practicable after the Distribution Date, each Delta Woodside Stockholder of record as of the Record Date one Duck Head Share for every ten Delta Woodside Shares so held (subject to Section 3.5), and (v) Delta Woodside and Delta Apparel shall instruct the Distribution Agent to distribute to, or make book-entry credits for, on or as soon as practicable after the Distribution Date, each Delta Woodside Stockholder of record as of the Record Date one Delta Apparel Share for every ten Delta Woodside Shares so held (subject to Section 3.5). Duck Head agrees to (x) provide all certificates for Duck Head Shares that Delta Woodside shall require (after giving effect to Sections 3.4 and 3.5) in order to effect the Distribution and (y) take all necessary actions to adopt a stock transfer and registration system for Duck Head effective as of the Distribution Date. Delta Apparel agrees to (x) provide all certificates for Delta Apparel Shares that Delta Woodside shall require (after giving effect to Sections 3.4 and 3.5) in order to effect the Distribution and (y) take all necessary actions to adopt a stock transfer and registration system for Delta Apparel effective as of the Distribution Date.

### 3.4 Stock Dividends. -----

(a) Duck Head. On or before the Distribution Date, Duck Head shall issue to  
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Delta Woodside as a stock dividend the number of additional shares of Duck Head Common Stock that, together with the shares of Duck Head Common Stock already held by Delta Woodside, will provide Delta Woodside with the number of shares of Duck Head Common Stock that is required to effect the Distribution, as certified by the Distribution Agent.

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(b) Delta Apparel. On or before the Distribution Date, Delta Apparel shall

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issue to Delta Woodside as a stock dividend the number of additional shares of Delta Apparel Common Stock that, together with the shares of Delta Apparel Common Stock already held by Delta Woodside, will provide Delta Woodside with the number of shares of Delta Apparel Common Stock that is required to effect the Distribution, as certified by the Distribution Agent.

3.5 Fractional Shares. No certificate or scrip representing fractional

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shares of Duck Head Common Stock or Delta Apparel Common Stock will be issued in the Distribution. In lieu of any such fractional share, each holder of Delta Woodside Shares who otherwise would be entitled to a fractional share of Duck Head Common Stock or Delta Apparel Common Stock shall be entitled to receive promptly from the Distribution Agent a cash payment, without any interest, representing such holder's proportionate interest in the net proceeds from the sale or sales by the Distribution Agent on behalf of all such holders of the aggregate fractional shares of Duck Head Common Stock and Delta Apparel Common Stock, as applicable, pursuant to this Section 3.5 and the terms of the Distribution Agent Agreement, after making appropriate deductions of the amount required, if any, to be withheld for United States federal income tax purposes. The Distribution Agent shall determine, in its sole discretion, when, how, through which broker-dealer and at what price such sale(s) shall be made. All cash in lieu of fractional Duck Head Shares or fractional Delta Apparel Shares to be paid pursuant to this Section 3.5, if unclaimed at the first anniversary of the Effective Time, shall be released and paid by the Distribution Agent to Duck Head (in the case of the sale of fractional Duck Head Shares) and Delta Apparel (in the case of the sale of fractional Delta Apparel Shares), after which time persons entitled thereto may look, subject to applicable escheat and other similar laws, only to the Duck Head or Delta Apparel, respectively, for payment thereof. Delta Woodside, Duck Head and Delta Apparel will instruct the Distribution Agent to do the following, as soon as practicable (subject to the provisions set forth above) after the Effective Time: (a) to determine the number of whole shares and fractional shares of Duck Head Common Stock and Delta Apparel Common Stock allocable to each Delta Woodside Stockholder of record as of the Record Date who, as a result of the Distribution, would own a fractional share of Duck Head Common Stock or Delta Apparel Common Stock, as applicable, (b) to aggregate all fractional shares of Duck Head Common Stock and all fractional shares of Delta Apparel Common Stock held by those holders, and (c) to sell the whole shares attributable to the aggregate of those fractional shares, in one or more open market transactions, in each case at the then prevailing market prices, and to cause to be distributed to each such holder, in lieu of any fractional share, without interest, that holder's ratable share of the proceeds of that sale, after making appropriate deductions of the amount required, if any, to be withheld for United States federal income tax purposes.

#### ARTICLE 4

##### REPRESENTATIONS AND WARRANTIES OF DELTA WOODSIDE

Delta Woodside represents and warrants to Duck Head and Delta Apparel that, except as disclosed in the Delta Woodside Disclosure Schedule that has been delivered to Duck Head and

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Delta Apparel prior to the execution of this Distribution Agreement (the "Delta Woodside Disclosure Schedule") or as contemplated by this Distribution Agreement, as of immediately prior to the Effective Time the following will be true and accurate:

4.1 Organization. Delta Woodside is a corporation duly organized and  
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validly existing under the laws of the State of South Carolina.

4.2 Capitalization. (a) The authorized capital stock of Delta Woodside  
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consists of 50,000,000 shares of Delta Woodside Common Stock and 10,000,000 shares of Preferred Stock, \$250,000,000 maximum par value per share (the "Delta Woodside Preferred Stock"). As of the date hereof, 23,307,645 shares of Delta Woodside Common Stock and no shares of Delta Woodside Preferred Stock are issued and outstanding, and all such issued and outstanding shares of Delta Woodside Common Stock were validly issued and are fully paid and nonassessable. As of the



date hereof, except for stock options to acquire an aggregate of 363,818 shares of Delta Woodside Common Stock (collectively, the "Delta Woodside Stock Options"), and except as contemplated by this Distribution Agreement, there are no options, warrants, calls or other rights, agreements or commitments currently outstanding obligating Delta Woodside to issue, deliver or sell shares of its capital stock, or obligating Delta Woodside to grant, extend or enter into any such option, warrant, call or other such right, agreement or commitment.

(b) All the outstanding shares of capital stock of each of Alchem, Delta Consolidated, Delta Merchandising and DHAC are validly issued, fully paid and nonassessable and are owned by Delta Woodside or by a wholly-owned Subsidiary of Delta Woodside, free and clear of any Liens (other than Liens on the capital stock of certain Subsidiaries of Delta Woodside granted in favor of General Electric Capital Corporation ("GECC") in connection with the Credit Agreement to which GECC, Delta Woodside and various Subsidiaries of Delta Woodside are parties (the "Delta Woodside Credit Agreement") or granted in favor of BNY Financial Corporation ("BNY"), as Collateral Agent, in connection with the Credit Agreement to which Delta Mills, BNY and Bank of America, N.A., as Administrative Agent, are parties (the "Delta Mills Credit Agreement")). All of the outstanding shares of capital stock of each of Duck Head and Delta Apparel are owned by Delta Woodside, free and clear of any Liens (other than Liens granted in favor of GECC in connection with the Delta Woodside Credit Agreement, which will be released prior to the Effective Time). There are no existing options, warrants, calls or other rights, agreements or commitments of any character relating to the sale, issuance or voting of any shares of the issued or unissued capital stock of any of Alchem, Delta Consolidated, Delta Merchandising or DHAC that have been issued, granted or entered into by Delta Woodside or any of its Subsidiaries.

#### 4.3 Authority Relative to this Distribution Agreement. Delta Woodside has

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the necessary corporate power and authority to execute and deliver this Distribution Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Distribution Agreement and the consummation of the transactions contemplated hereby by Delta Woodside have been duly and validly authorized and approved by Delta Woodside's Board of Directors and no other corporate proceedings on the part of Delta Woodside are necessary to authorize or approve this

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Distribution Agreement or to consummate the transactions contemplated hereby. This Distribution Agreement has been duly executed and delivered by Delta Woodside, and, assuming the due authorization, execution and delivery by Duck Head and Delta Apparel, constitutes the valid and binding obligation of Delta Woodside enforceable against Delta Woodside in accordance with its terms except as such enforceability may be limited by general principles of equity or principles applicable to creditors' rights generally.

#### 4.4 No Conflicts, Required Filings and Consents. (a) None of the execution

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and delivery of this Distribution Agreement by Delta Woodside, the consummation by Delta Woodside of the transactions contemplated hereby or compliance by Delta Woodside with any of the provisions hereof will (i) conflict with or violate the Articles of Incorporation or By-laws of Delta Woodside or the comparable organizational documents of any of Alchem, Delta Consolidated, Delta Merchandising or DHAC, (ii) subject to receipt or filing of the required Consents (as defined herein) referred to in Section 4.4(b), conflict with or violate any statute, ordinance, rule, regulation, order, judgment or decree applicable to Delta Woodside or any of Delta Woodside's Subsidiaries (other than a member of the Duck Head Group or a member of the Delta Apparel Group), or by which any of them or any of their respective properties or assets may be bound or affected, or (iii) subject to receipt or filing of the required Consents referred to in Section 4.4(b), result in a violation or breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any lien, charge, security interest, pledge, or encumbrance of any kind or nature (any of the foregoing being a "Lien") on any of the property or assets of Delta Woodside or any of Delta Woodside's Subsidiaries (other than a member of the Duck Head Group or a member of the Delta Apparel Group) (any of the foregoing referred to in clause (ii) or this clause (iii) being a "Violation") pursuant to, any note, bond, mortgage, indenture, Contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Delta Woodside or any of Delta Woodside's Subsidiaries (other than a member of the Duck Head Group or a

member of the Delta Apparel Group) is a party or by which Delta Woodside or any of Delta Woodside's Subsidiaries (other than a member of the Duck Head Group or a member of the Delta Apparel Group) or any of their respective properties may be bound or affected, except in the case of the foregoing clause (ii) or (iii) for any such Violations that would not have a Delta Woodside Material Adverse Effect.

(b) None of the execution and delivery of this Distribution Agreement by Delta Woodside, the consummation by Delta Woodside of the transactions contemplated hereby or compliance by Delta Woodside with any of the provisions hereof will require any consent, waiver, license, approval, authorization, order or permit of, or registration or filing with or notification to (any of the foregoing being a "Consent"), any Governmental Entity, except for (i) compliance with any applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), (ii) compliance with any applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (iii) certain state takeover, securities, "blue sky" and environmental statutes, (iv) such filings as may be required in connection with the taxes described in Section 15.12 (b), and (v) Consents the failure of which to obtain or make would not have a Delta Woodside Material Adverse Effect.

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4.5 Reports and Financial Statements. (a) Delta Woodside has filed with the

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SEC all forms, reports, schedules, registration statements and definitive proxy statements (the "Delta Woodside SEC Reports") required to be filed by it with the SEC since July 3, 1999, including without limitation those required to be filed in connection with the Distribution. As of their respective dates, the Delta Woodside SEC Reports complied as to form in all material respects with the requirements of the Exchange Act or the Securities Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Delta Woodside SEC Reports. As of their respective dates, the Delta Woodside SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The consolidated balance sheets as of July 3, 1999 and June 27, 1998 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended July 3, 1999 (including the related notes and schedules thereto) of Delta Woodside contained in the Form 10-K of Delta Woodside for the year ended July 3, 1999 present fairly, in all material respects, the consolidated financial position and the consolidated results of operations and cash flows of Delta Woodside and its consolidated subsidiaries as of the dates or for the periods presented therein in conformity with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved except as otherwise noted therein, including in the related notes.

(c) The consolidated balance sheets and the related consolidated statements of earnings and cash flows (including, in each case, the related notes thereto) of Delta Woodside contained in the Form 10-Q of Delta Woodside for the quarterly period ended January 1, 2000 (the "Delta Woodside Interim Financial Statements") have been prepared in accordance with the requirements for interim financial statements contained in Regulation S-X, which do not require all the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. The Delta Woodside Interim Financial Statements reflect all adjustments necessary to present fairly in accordance with GAAP (except as indicated), in all material respects, the consolidated financial position, results of operations and cash flows of Delta Woodside for all periods presented therein.

4.6 Information. None of the information supplied or to be supplied by

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Delta Woodside or its Representatives for inclusion or incorporation by reference in the Duck Head Information Statement or the Delta Apparel Information Statement will or did, at the time of their distribution to the Delta Woodside Stockholders as of the Record Date or the time of the effectiveness of the Duck Head Form 10 or the Delta Apparel Form 10 with the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

4.7 Litigation. Except as disclosed in the Delta Woodside SEC Reports, as  
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of the date hereof, there is no suit, action or proceeding pending or, to the  
knowledge of Delta Woodside, threatened

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against or affecting Delta Woodside or any of its Subsidiaries, nor is there any  
judgment, decree, injunction or order of any Governmental Entity or arbitrator  
outstanding against Delta Woodside or any of its Subsidiaries, that is  
reasonably expected to have a Delta Woodside Material Adverse Effect or to  
prevent or materially delay the consummation of the transactions contemplated in  
this Distribution Agreement.

4.8 Absence of Certain Changes or Events. Except as disclosed in the Delta  
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Woodside SEC Reports or as contemplated by this Distribution Agreement, since  
January 1, 2000, Delta Woodside has conducted its business only in the ordinary  
course and there has not been any change that would have a Delta Woodside  
Material Adverse Effect, other than changes relating to or arising from general  
economic conditions.

4.9 Employee Benefit Plans. Except as disclosed in the Delta Woodside SEC  
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Reports or the Delta Woodside Disclosure Schedule, there are no (a) employee  
benefit or compensation plans, agreements or arrangements, including "employee  
benefit plans," as defined in Section 3(3) of the Employee Retirement Income  
Security Act of 1974, as amended ("ERISA"), and including, but not limited to,  
plans, agreements or arrangements relating to former employees, including, but  
not limited to, retiree medical plans or life insurance, maintained by Delta  
Woodside or any of its Subsidiaries (other than a member of the Duck Head Group  
or a member of the Delta Apparel Group) or (b) collective bargaining agreements  
to which Delta Woodside or any of its Subsidiaries (other than a member of the  
Duck Head Group or a member of the Delta Apparel Group) is a party  
(collectively, the "Delta Woodside Benefit Plans"), other than plans, agreements  
or arrangements that, in the aggregate, are not material to Delta Woodside and  
its Subsidiaries (other than members of the Duck Head Group or members of the  
Delta Apparel Group) as a whole. Delta Woodside and its Subsidiaries (other than  
members of the Duck Head Group or members of the Delta Apparel Group) have  
complied with the terms of all Delta Woodside Benefit Plans, except for such  
noncompliance that would not have a Delta Woodside Material Adverse Effect, and  
no default exists with respect to the obligations of Delta Woodside or any of  
its Subsidiaries (other than members of the Duck Head Group or members of the  
Delta Apparel Group) under such Delta Woodside Benefit Plans that would have a  
Delta Woodside Material Adverse Effect. Since July 3, 1999, there have been no  
disputes, grievances subject to any grievance procedure, unfair labor practice  
proceedings, arbitration or litigation (or, to the knowledge of Delta Woodside,  
threatened proceedings or grievances) under such Delta Woodside Benefit Plans,  
that have not been finally resolved, settled or otherwise disposed of, nor is  
there any default, or any condition that, with notice or lapse of time or both,  
would constitute such a default, under any such Delta Woodside Benefit Plan, by  
Delta Woodside or its Subsidiaries (excluding members of the Duck Head Group and  
members of the Delta Apparel Group) or, to the best knowledge of Delta Woodside,  
any other party thereto, other than disputes, grievances, arbitration,  
litigation, proceedings, threatened proceedings or grievances, defaults or  
conditions that would not have a Delta Woodside Material Adverse Effect. Since  
July 3, 1999, there have been no strikes, lockouts or work stoppages or  
slowdowns, or to the best knowledge of Delta Woodside, labor jurisdictional  
disputes or labor organizing activity occurring or threatened with respect to  
the business or operations of Delta Woodside or its Subsidiaries (excluding  
members of the Duck Head Group and members of the Delta Apparel Group) that have

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had or would have a Delta Woodside Material Adverse Effect.

4.10 ERISA. All Delta Woodside Benefit Plans are in compliance with the  
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applicable provisions of ERISA, the Internal Revenue Code of 1986, as amended  
(the "Code"), all other applicable laws and all applicable collective bargaining  
agreements, in each case, to the extent applicable, except where such failures  
to administer or comply would not have a Delta Woodside Material Adverse Effect.  
Each of the Delta Woodside Benefit Plans that is intended to meet the  
requirements of Section 401(a) of the Code has been determined by the Internal  
Revenue Service ("IRS") to be "qualified," within the meaning of such Section of

the Code and Delta Woodside does not know of any circumstance likely to result in revocation of such determination. No Delta Woodside Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code. Neither Delta Woodside nor any of its Subsidiaries (excluding members of the Duck Head Group and member of the Delta Apparel Group) (i) has made a complete or partial withdrawal, within the meaning of Section 4201 of ERISA, from any multiemployer plan or (ii) currently is a sponsor of or contributes to a multiemployer plan. Neither Delta Woodside nor any of its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) has maintained a plan subject to Title IV of ERISA at any time within the last five years. Except as disclosed in the Delta Woodside SEC Reports or in the Delta Woodside Disclosure Schedule, neither the execution and delivery of this Distribution Agreement nor the consummation of the transactions contemplated hereby will (i) materially increase any benefits otherwise payable under any Delta Woodside Benefit Plan or (ii) result in the acceleration of the time of payment or vesting of any such benefits to any material extent.

4.11 Taxes. Delta Woodside and its Subsidiaries (excluding members of the

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Duck Head Group and members of the Delta Apparel Group) have duly filed all foreign, federal, state and local income, franchise, excise, real and personal property and other tax returns and reports (including, but not limited to, those filed on a consolidated, combined or unitary basis) required to have been filed by Delta Woodside and its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) prior to the Distribution Date, except for such returns or reports the failure to file which would not have a Delta Woodside Material Adverse Effect. All of the foregoing returns and reports are true and correct in all material respects, and Delta Woodside and its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) have paid, or prior to the Effective Time will pay, all taxes, interest and penalties shown on such returns or reports as being due or (except to the extent the same are contested in good faith) claimed to be due to any federal, state, local or other taxing authority. Delta Woodside and its Subsidiaries (other than any member of the Duck Head Group or the Delta Apparel Group) have paid and will pay all installments of estimated taxes due on or before the Effective Time, except for any failure to do so that would not have a Delta Woodside Material Adverse Effect. All taxes and state assessments and levies that Delta Woodside and its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) are required by law to withhold or collect have been withheld or collected and have been paid to the proper governmental authorities or are held by Delta Woodside for such payment, except for any failure to do so that would not have a Delta Woodside Material Adverse Effect. Except as disclosed in the Delta Woodside Disclosure

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Schedule, as of the date hereof, all deficiencies proposed as a result of any audits have been paid or settled.

4.12 Compliance with Applicable Laws. Delta Woodside and its Subsidiaries

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(excluding members of the Duck Head Group and members of the Delta Apparel Group) hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for them to own, lease or operate their properties and assets and to carry on their businesses substantially as now conducted (the "Delta Woodside Permits"), except for such permits, licenses, variances, exemptions, orders and approvals the failure of which to hold would not have a Delta Woodside Material Adverse Effect. Delta Woodside and its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) are in compliance with all applicable laws and the terms of Delta Woodside Permits, except for such failures so to comply that would not have a Delta Woodside Material Adverse Effect.

4.13 No Voting Requirement. No vote of the holders of any class or series

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of Delta Woodside's capital stock is necessary to approve this Distribution Agreement and the transactions contemplated by this Distribution Agreement.

4.14 Brokers. No broker or finder is entitled to any broker's or finder's

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fee in connection with the transactions contemplated by this Distribution Agreement based upon arrangements made by or on behalf of Delta Woodside.

4.15 Undisclosed Liabilities. Except as disclosed in Delta Woodside's

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Quarterly Report on Form 10-Q for the fiscal quarter ended January 1, 2000 (or in any subsequently filed Delta Woodside SEC Reports), neither Delta Woodside nor any of its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) has any liabilities or any obligations of any nature whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet of Delta Woodside and its Subsidiaries (including the notes thereto) (excluding members of the Duck Head Group and members of the Delta Apparel Group), except for liabilities or obligations incurred in the ordinary course of business since January 1, 2000 that would not have a Delta Woodside Material Adverse Effect or contemplated to be incurred by this Distribution Agreement.

4.16 Environmental Matters. Except as disclosed in the Delta Woodside SEC

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Reports or as would not reasonably be expected to have a Delta Woodside Material Adverse Effect: (i) to the best knowledge of Delta Woodside no real property currently or formerly owned or operated by Delta Woodside or any current Subsidiary (excluding members of the Duck Head Group and members of the Delta Apparel Group) is contaminated with any Hazardous Substances (as defined below) to an extent or in a manner or condition now requiring remediation under any Environmental Law (as defined below); (ii) no judicial or administrative proceeding is pending or to the best knowledge of Delta Woodside threatened against Delta Woodside or any of its Subsidiaries (excluding members of the Duck Head Group and members of the Delta Apparel Group) relating to liability for any off-site disposal or contamination; and (iii) Delta Woodside and its Subsidiaries (excluding members

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of the Duck Head Group and members of the Delta Apparel Group) have not received any claims or notices alleging liability under any Environmental Law, and Delta Woodside has no knowledge of any circumstances that could result in such claims. "Environmental Law" means any applicable federal, state or local law, regulation, order, decree or judicial opinion or other agency requirement having the force and effect of law and relating to noise, odor, Hazardous Substance or the protection of the environment. "Hazardous Substance" means any toxic or hazardous substance that is regulated by or under authority of any Environmental Law, including any petroleum products, asbestos or polychlorinated biphenyls.

## ARTICLE 5

### REPRESENTATIONS AND WARRANTIES OF DUCK HEAD

Duck Head represents and warrants to Delta Woodside and Delta Apparel that, except as disclosed in the Duck Head Disclosure Schedule that has been delivered to Delta Woodside and Delta Apparel prior to the execution of this Distribution Agreement (the "Duck Head Disclosure Schedule") or as contemplated by this Distribution Agreement, as of immediately prior to the Effective Time the following will be true and accurate:

5.1 Organization and Qualification. Duck Head is a corporation duly

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organized, validly existing and in good standing under the laws of the State of Georgia. Each of Duck Head and each of its Subsidiaries has the requisite corporate power and authority to carry on its business as it is now being conducted and is duly qualified or licensed to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a Duck Head Material Adverse Effect.

5.2 Capitalization. (a) The authorized capital stock of Duck Head consists

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of 9,000,000 shares of Duck Head Common Stock and 2,000,000 shares of Preferred Stock, \$0.01 par value per share (the "Duck Head Preferred Stock"). As of the date hereof, 100 shares of Duck Head Common Stock and no shares of Duck Head Preferred Stock were issued and outstanding, and all such issued and outstanding shares of Duck Head Common Stock were validly issued and are fully paid and nonassessable. As of the date hereof, except for a right held by Robert D. Rockey, Jr. to acquire 1,000,000 shares of Duck Head Common Stock and an agreement to grant to Mr. Rockey incentive stock awards and stock options to acquire shares of Duck Head Common Stock, and except as contemplated by this Distribution Agreement, there were no options, warrants, calls or other rights, agreements or commitments currently outstanding obligating Duck Head to issue,

deliver or sell shares of its capital stock, or obligating Duck Head to grant, extend or enter into any such option, warrant, call or other such right, agreement or commitment.

(b) All the outstanding shares of capital stock of each Subsidiary of Duck Head are validly issued, fully paid and nonassessable and are owned by Duck Head or by a wholly-owned Subsidiary

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of Duck Head, free and clear of any Liens (except Liens granted to GECC in connection with the Delta Woodside Credit Facility, which will be released prior to the Effective Time). There are no existing options, warrants, calls or other rights, agreements or commitments of any character relating to the sale, issuance or voting of any shares of the issued or unissued capital stock of any of the Subsidiaries of Duck Head that have been issued, granted or entered into by Duck Head or any of its Subsidiaries.

5.3 Authority Relative to This Distribution Agreement. Duck Head has the  
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necessary corporate power and authority to execute and deliver this Distribution Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Distribution Agreement and the consummation of the transactions contemplated hereby by Duck Head have been duly and validly authorized and approved by Duck Head's Board of Directors and no other corporate proceedings on the part of Duck Head are necessary to authorize or approve this Distribution Agreement or to consummate the transactions contemplated hereby. This Distribution Agreement has been duly executed and delivered by Duck Head, and, assuming the due authorization, execution and delivery by Delta Woodside and Delta Apparel, constitutes the valid and binding obligation of Duck Head enforceable against Duck Head in accordance with its terms except as such enforceability may be limited by general principles of equity or principles applicable to creditors' rights generally.

5.4 No Conflicts, Required Filings and Consents. (a) None of the execution  
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and delivery of this Distribution Agreement by Duck Head, the consummation by Duck Head of the transactions contemplated hereby or compliance by Duck Head with any of the provisions hereof will (i) conflict with or violate the Articles of Incorporation or By-laws of Duck Head or the comparable organizational documents of any of Duck Head's Subsidiaries, (ii) subject to receipt or filing of the required Consents referred to in Section 5.4(b), result in a Violation of any statute, ordinance, rule, regulation, order, judgment or decree applicable to Duck Head or any of Duck Head's Subsidiaries, or by which any of them or any of their respective properties or assets may be bound or affected, or (iii) subject to receipt or filing of the required Consents referred to in Section 5.4(b), result in a Violation pursuant to, any note, bond, mortgage, indenture, Contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Duck Head or any of Duck Head's Subsidiaries is a party or by which Duck Head or any of Duck Head's Subsidiaries or any of their respective properties may be bound or affected, except in the case of the foregoing clause (ii) or (iii) for any such Violations that would not have a Duck Head Material Adverse Effect.

(b) None of the execution and delivery of this Distribution Agreement by Duck Head, the consummation by Duck Head of the transactions contemplated hereby or compliance by Duck Head with any of the provisions hereof will require any Consent of any Governmental Entity, except for (i) compliance with any applicable requirements of the Securities Act and the Exchange Act, (ii) certain state takeover, securities, "blue sky" and environmental statutes, (iii) such filings as may be required in connection with the taxes described in Section 15.12(b), and (iv) Consents the failure of which to obtain or make would not have a Duck Head Material Adverse Effect.

5.5 Reports and Financial Statements. (a) Duck Head has filed with the SEC  
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the Duck Head

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Form 10, and the Duck Head Form 10 will be the only registration statement required to be filed by it with the SEC in connection with the Distribution. As of its effective date, the Duck Head Form 10 complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC. As of its effective date and as of the date that the

Duck Head Information Statement is distributed to the Delta Woodside Stockholders as of the Record Date, the Duck Head Form 10 did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The combined balance sheets as of July 3, 1999 and June 27, 1998 and the related combined statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended July 3, 1999 (including the related notes and schedules thereto) of Duck Head that are contained in the Duck Head Information Statement present fairly, in all material respects, the combined financial position and the combined results of operations and cash flows of Duck Head and its consolidated Subsidiaries as of the dates or for the periods presented therein in conformity with GAAP applied on a consistent basis during the periods involved except as otherwise noted therein, including in the related notes.

(c) The combined balance sheets and the related statements of earnings and cash flows (including, in each case, the related notes thereto) of Duck Head that are contained in the Duck Head Information Statement for the six months ended January 1, 2000 (the "Duck Head Interim Financial Statements") have been prepared in accordance with the requirements for interim financial statements contained in Regulation S-X, which do not require all the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. The Duck Head Interim Financial Statements reflect all adjustments necessary to present fairly in accordance with GAAP (except as indicated), in all material respects, the combined financial position, results of operations and cash flows of Duck Head for all periods presented therein.

(d) The combined pro forma balance sheet as of January 1, 2000 and the related combined pro forma statements of operations for the year ended July 3, 1999 and the six months ended January 1, 2000 (including the related notes and schedules thereto) of Duck Head contained in the Duck Head Information Statement have been prepared in accordance with the requirements for pro forma financial statements contained in Regulation S-X, which do not require all the information and footnotes necessary for a fair presentation of financial position or results of operations in conformity with GAAP, and reflect all adjustments necessary to present fairly in accordance with GAAP (except as indicated), in all material respects, the combined pro forma financial position and results of operations of Duck Head as of the dates and for the periods presented therein.

5.6 Information. None of the information supplied or to be supplied by Duck

Head or its Representatives for inclusion or incorporation by reference in the Duck Head Form 10 or the Duck Head Information Statement will or did, at the time of its distribution to the Delta Woodside

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Stockholders as of the Record Date or the time of the effectiveness of the Duck Head Form 10 with the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Duck Head Form 10 and the Duck Head Information Statement comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, except that no representation is made by Duck Head with respect to statements made or incorporated by reference therein based on information supplied by Delta Woodside or Delta Apparel for inclusion or incorporation by reference therein.

5.7 Litigation. Except as disclosed in the Duck Head Disclosure Statement,

as of the date hereof, there is no suit, action or proceeding pending or, to the knowledge of Duck Head, threatened against or affecting Duck Head or any of its Subsidiaries, nor is there any judgment, decree, injunction or order of any Governmental Entity or arbitrator outstanding against Duck Head or any of its Subsidiaries, that is reasonably expected to have a Duck Head Material Adverse Effect or to prevent or materially delay the consummation of the transactions contemplated in this Distribution Agreement.

5.8 Absence of Certain Changes or Events. Except as disclosed in the Duck

Head Information Statement or as contemplated by this Distribution Agreement,

since January 1, 2000, Duck Head has conducted its business only in the ordinary course, and there has not been any change that would have a Duck Head Material Adverse Effect, other than changes relating to or arising from general economic conditions.

#### 5.9 Employee Benefit Plans. Except as disclosed in the Duck Head

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Information Statement or the Duck Head Disclosure Schedule, there are no (a) employee benefit or compensation plans, agreements or arrangements, including "employee benefit plans," as defined in Section 3(3) of ERISA, and including, but not limited to, plans, agreements or arrangements relating to former employees, including, but not limited to, retiree medical plans or life insurance, maintained by Duck Head or any of its Subsidiaries or (b) collective bargaining agreements to which Duck Head or any of its Subsidiaries is a party (collectively, the "Duck Head Benefit Plans"), other than plans, agreements or arrangements that, in the aggregate, are not material to Duck Head and its Subsidiaries as a whole. Duck Head and its Subsidiaries have complied with the terms of all Duck Head Benefit Plans, except for such noncompliance that would not have a Duck Head Material Adverse Effect, and no default exists with respect to the obligations of Duck Head or any of its Subsidiaries under such Duck Head Benefit Plans that would have a Duck Head Material Adverse Effect. Since July 3, 1999, there have been no disputes, grievances subject to any grievance procedure, unfair labor practice proceedings, arbitration or litigation (or, to the knowledge of Duck Head, threatened proceedings or grievances) under such Duck Head Benefit Plans, that have not been finally resolved, settled or otherwise disposed of, nor is there any default, or any condition that, with notice or lapse of time or both, would constitute such a default, under any such Duck Head Benefit Plans, by Duck Head or its Subsidiaries or, to the best knowledge of Duck Head, any other party thereto, other than disputes, grievances, arbitration, litigation, proceedings, threatened proceedings or grievances,

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defaults or conditions that would not have a Duck Head Material Adverse Effect. Since July 3, 1999, there have been no strikes, lockouts or work stoppages or slowdowns, or to the best knowledge of Duck Head, labor jurisdictional disputes or labor organizing activity occurring or threatened with respect to the business or operations of Duck Head or its Subsidiaries that have had or would have a Duck Head Material Adverse Effect.

#### 5.10 ERISA. All the Duck Head Benefit Plans are in compliance with the

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applicable provisions of ERISA, the Code, all other applicable laws and all applicable collective bargaining agreements, in each case, to the extent applicable, except where such failures to administer or comply would not have a Duck Head Material Adverse Effect. Each of the Duck Head Benefit Plans that is intended to meet the requirements of Section 401(a) of the Code has been or will be determined by the IRS to be "qualified," within the meaning of such Section of the Code and Duck Head does not know of any circumstances likely to result in revocation of such determination. No Duck Head Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code. Neither Duck Head nor any of its Subsidiaries (i) has made a complete or partial withdrawal, within the meaning of Section 4201 of ERISA, from any multiemployer plan or (ii) currently is a sponsor of or contributes to a multiemployer plan. Neither Duck Head nor any of its Subsidiaries has maintained a plan subject to Title IV of ERISA at any time within the last five years. Except in their capacities as shareholders of Delta Woodside and except as disclosed in the Duck Head Information Statement or in the Duck Head Disclosure Schedule, neither the execution and delivery of this Distribution Agreement nor the consummation of the transactions contemplated hereby will (i) result in any material payment (including, without limitation, severance, unemployment compensation or golden parachute) becoming due to any director or executive officer of Duck Head, (ii) materially increase any benefits otherwise payable under any Duck Head Benefit Plan or (iii) result in the acceleration of the time of payment or vesting of any such benefits to any material extent.

#### 5.11 Taxes. Duck Head and its Subsidiaries have duly filed all foreign,

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federal, state and local income, franchise, excise, real and personal property and other tax returns and reports (including, but not limited to, those filed on a consolidated, combined or unitary basis) required to have been filed by Duck Head and its Subsidiaries prior to the date hereof, except for such returns or reports the failure to file which would not have a Duck Head Material Adverse Effect. All of the foregoing returns and reports are true and correct in all



material respects, and Duck Head and its Subsidiaries have paid or, prior to the Effective Time will pay, all taxes, interest and penalties shown on such returns or reports as being due or (except to the extent the same are contested in good faith) claimed to be due to any federal, state, local or other taxing authority. Duck Head and its Subsidiaries have paid and will pay all installments of estimated taxes due on or before the Effective Time, except for any failure to do so that would not have a Duck Head Material Adverse Effect. All taxes and state assessments and levies that Duck Head and its Subsidiaries are required by law to withhold or collect have been withheld or collected and have been paid to the proper governmental authorities or are held by Duck Head for such payment, except for any failure to do so that would not have a Duck Head Material Adverse Effect. Duck Head and its Subsidiaries have paid or made adequate provision in the financial statements of Duck Head for all taxes payable in respect of all periods ended on or prior to January 1, 2000, except for such taxes that would not have a Duck Head

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Material Adverse Effect. As of the date hereof, all deficiencies proposed as a result of any audits have been paid or settled.

5.12 Compliance with Applicable Laws. Duck Head and its Subsidiaries hold

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all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for them to own, lease or operate their properties and assets and to carry on their businesses substantially as now conducted (the "Duck Head Permits"), except for such permits, licenses, variances, exemptions, orders and approvals the failure of which to hold would not have a Duck Head Material Adverse Effect. Duck Head and its Subsidiaries are in compliance with all applicable laws and the terms of Duck Head Permits, except for such failures so to comply that would not have a Duck Head Material Adverse Effect.

5.13 Brokers. No broker or finder is entitled to any broker's or finder's

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fee in connection with the transactions contemplated by this Distribution Agreement based upon arrangements made by or on behalf of Duck Head.

5.14 Undisclosed Liabilities. Except as disclosed in the Duck Head

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Information Statement, neither Duck Head nor any of its Subsidiaries has any liabilities or any obligations of any nature whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet of Duck Head and its Subsidiaries (including the notes thereto), except for liabilities or obligations incurred in the ordinary course of business since January 1, 2000 that would not have a Duck Head Material Adverse Effect or contemplated to be incurred by this Distribution Agreement.

5.15 Environmental Matters. Except as disclosed in the Duck Head SEC

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Reports or as would not reasonably be expected to have a Duck Head Material Adverse Effect: (i) to the best knowledge of Duck Head no real property currently or formerly owned or operated by Duck Head or any current Subsidiary is contaminated with any Hazardous Substances to an extent or in a manner or condition now requiring remediation under any Environmental Law; (ii) no judicial or administrative proceeding is pending or to the best knowledge of Duck Head threatened against Duck Head or its Subsidiaries relating to liability for any off-site disposal or contamination; and (iii) Duck Head and its Subsidiaries have not received any claims or notices alleging liability under any Environmental Law, and Duck Head has no knowledge of any circumstance that could result in such claims.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF DELTA APPAREL

Delta Apparel represents and warrants to Delta Woodside and Duck Head that, except as disclosed in the Delta Apparel Disclosure Schedule that has been delivered to Delta Woodside and Duck Head prior to the execution of this Distribution Agreement (the "Delta Apparel Disclosure Schedule") or as contemplated by this Distribution Agreement, as of immediately prior to the

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Effective Time the following will be true and accurate:

6.1 Organization and Qualification. Delta Apparel is a corporation duly

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organized, validly existing and in good standing under the laws of the State of Georgia. Each of Delta Apparel and each of its Subsidiaries has the requisite corporate power and authority to carry on its business as it is now being conducted and is duly qualified or licensed to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a Delta Apparel Material Adverse Effect.

6.2 Capitalization. (a) The authorized capital stock of Delta Apparel

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consists of 7,500,000 shares of Delta Apparel Common Stock and 2,000,000 shares of Preferred Stock, \$0.01 par value per share (the "Delta Apparel Preferred Stock"). As of the date hereof, 100 shares of Delta Apparel Common Stock and no shares of Delta Apparel Preferred Stock were issued and outstanding, and all such issued and outstanding shares of Delta Apparel Common Stock were validly issued and are fully paid and nonassessable. As of the date hereof, except as contemplated by this Distribution Agreement, there were no options, warrants, calls or other rights, agreements or commitments currently outstanding obligating Delta Apparel to issue, deliver or sell shares of its capital stock, or obligating Delta Apparel to grant, extend or enter into any such option, warrant, call or other such right, agreement or commitment.

(b) All the outstanding shares of capital stock of each Subsidiary of Delta Apparel are validly issued, fully paid and nonassessable and are owned by Delta Apparel or by a wholly-owned Subsidiary of Delta Apparel (except for certain shares of the preferred stock of Delta Apparel Honduras, S.A. that are held by directors of Delta Apparel as a result of Honduran law requirements), free and clear of any Liens (except Liens granted to GECC in connection with the Delta Woodside Credit Facility). There are no existing options, warrants, calls or other rights, agreements or commitments of any character relating to the sale, issuance or voting of any shares of the issued or unissued capital stock of any of the Subsidiaries of Delta Apparel that have been issued, granted or entered into by Delta Apparel or any of its Subsidiaries.

6.3 Authority Relative to This Distribution Agreement. Delta Apparel has

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the necessary corporate power and authority to execute and deliver this Distribution Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Distribution Agreement and the consummation of the transactions contemplated hereby by Delta Apparel have been duly and validly authorized and approved by Delta Apparel's Board of Directors and no other corporate proceedings on the part of Delta Apparel are necessary to authorize or approve this Distribution Agreement or to consummate the transactions contemplated hereby. This Distribution Agreement has been duly executed and delivered by Delta Apparel, and, assuming the due authorization, execution and delivery by Delta Woodside and Duck Head, constitutes the valid and binding obligation of Delta Apparel enforceable against Delta Apparel in accordance with its terms except as such enforceability may be limited by general principles of equity or principles applicable to creditors' rights generally.

6.4 No Conflicts, Required Filings and Consents. (a) None of the execution

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and delivery of this Distribution Agreement by Delta Apparel, the consummation by Delta Apparel of the transactions contemplated hereby or compliance by Delta Apparel with any of the provisions hereof will (i) conflict with or violate the Articles of Incorporation or By-laws of Delta Apparel or the comparable organizational documents of any of Delta Apparel's Subsidiaries, (ii) subject to receipt or filing of the required Consents referred to in Section 6.4(b), result in a Violation of any statute, ordinance, rule, regulation, order, judgment or decree applicable to Delta Apparel or any of Delta Apparel's Subsidiaries, or by which any of them or any of their respective properties or assets may be bound or affected, or (iii) subject to receipt or filing of the required Consents referred to in Section 6.4(b), result in a Violation pursuant to, any note, bond, mortgage, indenture, Contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Delta Apparel or any of Delta Apparel's Subsidiaries is a party or by which Delta Apparel or any of

Delta Apparel's Subsidiaries or any of their respective properties may be bound or affected, except in the case of the foregoing clause (ii) or (iii) for any such Violations that would not have a Delta Apparel Material Adverse Effect.

(b) None of the execution and delivery of this Distribution Agreement by Delta Apparel, the consummation by Delta Apparel of the transactions contemplated hereby or compliance by Delta Apparel with any of the provisions hereof will require any Consent of any Governmental Entity, except for (i) compliance with any applicable requirements of the Securities Act and the Exchange Act, (ii) certain state takeover, securities, "blue sky" and environmental statutes, (iii) such filings as may be required in connection with the taxes described in Section 15.12(b), and (iv) Consents the failure of which to obtain or make would not have a Delta Apparel Material Adverse Effect.

6.5 Reports and Financial Statements. (a) Delta Apparel has filed with the

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SEC the Delta Apparel Form 10, and the Delta Apparel Form 10 will be the only registration statement required to be filed by it with the SEC in connection with the Distribution. As of its effective date, the Delta Apparel Form 10 complied as to form in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC. As of its effective date and as of the date that the Delta Apparel Information Statement is distributed to the Delta Woodside Stockholders as of the Record Date, the Delta Apparel Form 10 did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The combined balance sheets as of July 3, 1999 and June 27, 1998 and the related combined statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended July 3, 1999 (including the related notes and schedules thereto) of Delta Apparel that are contained in the Delta Apparel Information Statement present fairly, in all material respects, the combined financial position and the combined results of operations and cash flows of Delta Apparel and its consolidated Subsidiaries as of the dates or for the periods presented therein in conformity with GAAP applied on a consistent basis during the periods involved except as otherwise noted therein, including in the related notes.

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(c) The combined balance sheets and the related statements of earnings and cash flows (including, in each case, the related notes thereto) of Delta Apparel that are contained in the Delta Apparel Information Statement for the six months ended January 1, 2000 (the "Delta Apparel Interim Financial Statements") have been prepared in accordance with the requirements for interim financial statements contained in Regulation S-X, which do not require all the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. The Delta Apparel Interim Financial Statements reflect all adjustments necessary to present fairly in accordance with GAAP (except as indicated), in all material respects, the combined financial position, results of operations and cash flows of Delta Apparel for all periods presented therein.

(d) The combined pro forma balance sheet as of January 1, 2000 and the related combined pro forma statements of operations for the year ended July 3, 1999 and the six months ended January 1, 2000 (including the related notes and schedules thereto) of Delta Apparel contained in the Delta Apparel Information Statement have been prepared in accordance with the requirements for pro forma financial statements contained in Regulation S-X, which do not require all the information and footnotes necessary for a fair presentation of financial position or results of operations in conformity with GAAP, and reflect all adjustments necessary to present fairly in accordance with GAAP (except as indicated), in all material respects, the combined pro forma financial position and results of operations of Delta Apparel as of the dates and for the periods presented therein.

6.6 Information. None of the information supplied or to be supplied by

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Delta Apparel or its Representatives for inclusion or incorporation by reference in the Delta Apparel Form 10 or the Delta Apparel Information Statement will or did, at the time of its distribution to the Delta Woodside Stockholders as of the Record Date or the time of the effectiveness of the Delta Apparel Form 10 with the SEC, contain any untrue statement of a material fact or omit to state

any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Delta Apparel Form 10 and the Delta Apparel Information Statement comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, except that no representation is made by Delta Apparel with respect to statements made or incorporated by reference therein based on information supplied by Delta Woodside or Duck Head for inclusion or incorporation by reference therein.

6.7 Litigation. Except as disclosed in the Delta Apparel Disclosure

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Statement, as of the date hereof, there is no suit, action or proceeding pending or, to the knowledge of Delta Apparel, threatened against or affecting Delta Apparel or any of its Subsidiaries, nor is there any judgment, decree, injunction or order of any Governmental Entity or arbitrator outstanding against Delta Apparel or any of its Subsidiaries, that is reasonably expected to have a Delta Apparel Material Adverse Effect or to prevent or materially delay the consummation of the transactions contemplated in this Distribution Agreement.

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6.8 Absence of Certain Changes or Events. Except as disclosed in the Delta

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Apparel Information Statement or as contemplated by this Distribution Agreement, since January 1, 2000, Delta Apparel has conducted its business only in the ordinary course, and there has not been any change that would have a Delta Apparel Material Adverse Effect, other than changes relating to or arising from general economic conditions.

6.9 Employee Benefit Plans. Except as disclosed in the Delta Apparel

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Information Statement or the Delta Apparel Disclosure Schedule, there are no (a) employee benefit or compensation plans, agreements or arrangements, including "employee benefit plans," as defined in Section 3(3) of ERISA, and including, but not limited to, plans, agreements or arrangements relating to former employees, including, but not limited to, retiree medical plans or life insurance, maintained by Delta Apparel or any of its Subsidiaries or (b) collective bargaining agreements to which Delta Apparel or any of its Subsidiaries is a party (collectively, the "Delta Apparel Benefit Plans"), other than plans, agreements or arrangements that, in the aggregate, are not material to Delta Apparel and its Subsidiaries as a whole. Delta Apparel and its Subsidiaries have complied with the terms of all Delta Apparel Benefit Plans, except for such noncompliance that would not have a Delta Apparel Material Adverse Effect, and no default exists with respect to the obligations of Delta Apparel or any of its Subsidiaries under such Delta Apparel Benefit Plans that would have a Delta Apparel Material Adverse Effect. Since July 3, 1999, there have been no disputes, grievances subject to any grievance procedure, unfair labor practice proceedings, arbitration or litigation (or, to the knowledge of Delta Apparel, threatened proceedings or grievances) under such Delta Apparel Benefit Plans, that have not been finally resolved, settled or otherwise disposed of, nor is there any default, or any condition that, with notice or lapse of time or both, would constitute such a default, under any such Delta Apparel Benefit Plans, by Delta Apparel or its Subsidiaries or, to the best knowledge of Delta Apparel, any other party thereto, other than disputes, grievances, arbitration, litigation, proceedings, threatened proceedings or grievances, defaults or conditions that would not have a Delta Apparel Material Adverse Effect. Since July 3, 1999, there have been no strikes, lockouts or work stoppages or slowdowns, or to the best knowledge of Delta Apparel, labor jurisdictional disputes or labor organizing activity occurring or threatened with respect to the business or operations of Delta Apparel or its Subsidiaries that have had or would have a Delta Apparel Material Adverse Effect.

6.10 ERISA. All the Delta Apparel Benefit Plans are in compliance with the

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applicable provisions of ERISA, the Code, all other applicable laws and all applicable collective bargaining agreements, in each case, to the extent applicable, except where such failures to administer or comply would not have a Delta Apparel Material Adverse Effect. Each of the Delta Apparel Benefit Plans that is intended to meet the requirements of Section 401(a) of the Code has been or will be determined by the IRS to be "qualified," within the meaning of such Section of the Code and Delta Apparel does not know of any circumstances likely to result in revocation of such determination. No Delta Apparel Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code. Neither Delta Apparel

nor any of its Subsidiaries (i) has made a complete or partial withdrawal, within the meaning of Section 4201 of ERISA, from any multiemployer plan or (ii) currently is a sponsor of or contributes to a multiemployer plan. Neither Delta Apparel nor any of its Subsidiaries has

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maintained a plan subject to Title IV of ERISA at any time within the last five years. Except in their capacities as shareholders of Delta Woodside and except as disclosed in the Delta Apparel Information Statement or in the Delta Apparel Disclosure Schedule, neither the execution and delivery of this Distribution Agreement nor the consummation of the transactions contemplated hereby will (i) result in any material payment (including, without limitation, severance, unemployment compensation or golden parachute) becoming due to any director or executive officer of Delta Apparel, (ii) materially increase any benefits otherwise payable under any Delta Apparel Benefit Plan or (iii) result in the acceleration of the time of payment or vesting of any such benefits to any material extent.

6.11 Taxes. Delta Apparel and its Subsidiaries have duly filed all foreign,

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federal, state and local income, franchise, excise, real and personal property and other tax returns and reports (including, but not limited to, those filed on a consolidated, combined or unitary basis) required to have been filed by Delta Apparel and its Subsidiaries prior to the date hereof, except for such returns or reports the failure to file which would not have a Delta Apparel Material Adverse Effect. All of the foregoing returns and reports are true and correct in all material respects, and Delta Apparel and its Subsidiaries have paid or, prior to the Effective Time will pay, all taxes, interest and penalties shown on such returns or reports as being due or (except to the extent the same are contested in good faith) claimed to be due to any federal, state, local or other taxing authority. Delta Apparel and its Subsidiaries have paid and will pay all installments of estimated taxes due on or before the Effective Time, except for any failure to do so that would not have a Delta Apparel Material Adverse Effect. All taxes and state assessments and levies that Delta Apparel and its Subsidiaries are required by law to withhold or collect have been withheld or collected and have been paid to the proper governmental authorities or are held by Delta Apparel for such payment, except for any failure to do so that would not have a Delta Apparel Material Adverse Effect. Delta Apparel and its Subsidiaries have paid or made adequate provision in the financial statements of Delta Apparel for all taxes payable in respect of all periods ended on or prior to January 1, 2000, except for such taxes that would not have a Delta Apparel Material Adverse Effect. As of the date hereof, all deficiencies proposed as a result of any audits have been paid or settled.

6.12 Compliance with Applicable Laws. Delta Apparel and its Subsidiaries

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hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for them to own, lease or operate their properties and assets and to carry on their businesses substantially as now conducted (the "Delta Apparel Permits"), except for such permits, licenses, variances, exemptions, orders and approvals the failure of which to hold would not have a Delta Apparel Material Adverse Effect. Delta Apparel and its Subsidiaries are in compliance with all applicable laws and the terms of Delta Apparel Permits, except for such failures so to comply that would not have a Delta Apparel Material Adverse Effect.

6.13 Brokers. No broker or finder is entitled to any broker's or finder's

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fee in connection with the transactions contemplated by this Distribution Agreement based upon arrangements made by or on behalf of Delta Apparel.

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6.14 Undisclosed Liabilities. Except as disclosed in the Delta Apparel

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Information Statement, neither Delta Apparel nor any of its Subsidiaries has any liabilities or any obligations of any nature whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet of Delta Apparel and its Subsidiaries (including the notes thereto), except for liabilities or obligations incurred in the ordinary course of business since January 1, 2000 that would not have a Delta Apparel Material Adverse Effect or contemplated to be incurred by this Distribution Agreement.

6.15 Environmental Matters. Except as disclosed in the Delta Apparel SEC

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Reports or as would not reasonably be expected to have a Delta Apparel Material Adverse Effect: (i) to the best knowledge of Delta Apparel no real property currently or formerly owned or operated by Delta Apparel or any current Subsidiary is contaminated with any Hazardous Substances to an extent or in a manner or condition now requiring remediation under any Environmental Law; (ii) no judicial or administrative proceeding is pending or to the best knowledge of Delta Apparel threatened against Delta Apparel or its Subsidiaries relating to liability for any off-site disposal or contamination; and (iii) Delta Apparel and its Subsidiaries have not received any claims or notices alleging liability under any Environmental Law, and Delta Apparel has no knowledge of any circumstance that could result in such claims.

ARTICLE 7

CONDITIONS PRECEDENT

7.1 Conditions to Each Party's Obligation to Effect the Distribution. The  
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respective obligations of each party to effect the Distribution shall be subject to the fulfillment (or waiver by all parties) at or prior to the Effective Time of the following conditions:

(a) All Consents from Governmental Entities and other third parties that in any case are required to be received prior to the Effective Time with respect to the transactions contemplated hereby shall have been received other than those Consents the absence of which would not have a Delta Woodside Material Adverse Effect, a Duck Head Material Adverse Effect or a Delta Apparel Material Adverse Effect;

(b) Without limiting the generality of paragraph (a) above, the Duck Head Form 10 shall have been declared effective by the SEC and the Delta Apparel Form 10 shall have been declared effective by the SEC;

(c) The Intercompany Reorganization shall have been completed;

(d) The Duck Head Financing shall have been completed;

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(e) The Delta Apparel Financing shall have been completed;

(f) The New Delta Woodside Financing shall have been completed;

(g) Each of the Board of Directors of Delta Woodside and the Board of Directors of Duck Head shall have received an opinion, addressed and satisfactory to it, in its sole discretion, from an independent solvency firm selected by such Board, and shall otherwise be satisfied in its sole discretion, as to matters relating to the solvency and adequacy of capital of Duck Head after giving effect to the consummation of the transactions contemplated by this Distribution Agreement;

(h) Each of the Board of Directors of Delta Woodside and the Board of Directors of Delta Apparel shall have received an opinion, addressed and satisfactory to it, in its sole discretion, from an independent solvency firm selected by such Board, and shall otherwise be satisfied in its sole discretion, as to matters relating to the solvency and adequacy of capital of Delta Apparel after giving effect to the consummation of the transactions contemplated by this Distribution Agreement; and

(i) The consummation of the Distribution shall not be restrained, enjoined or prohibited by any order, judgment, decree, injunction or ruling of a court of competent jurisdiction; provided, however, that the parties shall comply with the provisions of Sections 9.4, 10.4 and 11.4 and shall further use their respective best efforts to cause any such order, judgment, decree, injunction or ruling to be vacated or lifted.

7.2 Conditions to Obligation of Delta Woodside to Effect the Distribution.  
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The obligation of Delta Woodside to effect the Distribution shall be subject to the fulfillment at or prior to the Effective Time of the additional conditions,

unless waived by Delta Woodside, that

(a) Duck Head and Delta Apparel shall have performed in all material respects their respective agreements contained in this Distribution Agreement required to be performed at or prior to the Effective Time and the representations and warranties of Duck Head and Delta Apparel contained in this Distribution Agreement shall be true, except as contemplated by this Distribution Agreement and except for inaccuracies in representations and warranties and failures to perform their respective agreements that in the aggregate do not constitute a Delta Woodside Material Adverse Effect, a Duck Head Material Adverse Effect or a Delta Apparel Material Adverse Effect; and Delta Woodside shall have received a certificate of the Chief Executive Officer of each of Duck Head and Delta Apparel to that effect; and

(b) The Delta Woodside Board, in its sole discretion, shall have determined to effect the Distribution.

7.3 Conditions to Obligations of Duck Head to Effect the Distribution. The obligation of Duck Head to effect the Distribution shall be subject to the fulfillment at or prior to the Effective

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Time of the additional condition, unless waived by Duck Head, that Delta Woodside and Delta Apparel shall have performed in all respects their respective agreements contained in this Distribution Agreement required to be performed at or prior to the Effective Time and the representations and warranties of Delta Woodside and Delta Apparel contained in this Distribution Agreement shall be true, except as contemplated by this Distribution Agreement and except for inaccuracies in representations and warranties and failures to perform its agreements that in the aggregate do not constitute a Delta Woodside Material Adverse Effect, a Duck Head Material Adverse Effect or a Delta Apparel Material Adverse Effect; and Duck Head shall have received a certificate of the Chief Executive Officer of each of Delta Woodside and Delta Apparel to that effect.

7.4 Conditions to Obligations of Delta Apparel to Effect the Distribution.

The obligation of Delta Apparel to effect the Distribution shall be subject to the fulfillment at or prior to the Effective Time of the additional condition, unless waived by Delta Apparel, that Delta Woodside and Duck Head shall have performed in all respects their respective agreements contained in this Distribution Agreement required to be performed at or prior to the Effective Time and the representations and warranties of Delta Woodside and Duck Head contained in this Distribution Agreement shall be true, except as contemplated by this Distribution Agreement and except for inaccuracies in representations and warranties and failures to perform its agreements that in the aggregate do not constitute a Delta Woodside Material Adverse Effect, a Duck Head Material Adverse Effect or a Delta Apparel Material Adverse Effect; and Delta Apparel shall have received a certificate of the Chief Executive Officer of each of Delta Woodside and Duck Head to that effect.

## ARTICLE 8

### EMPLOYMENT MATTERS

#### 8.1 Stock Options.

(a) Prior to the Effective Time, Delta Woodside shall provide holders of Delta Woodside Stock Options, whether or not then exercisable or vested, the opportunity to amend the terms of their respective Delta Woodside Stock Options to provide that (i) all unexercisable portions of such Delta Woodside Stock Options shall become immediately exercisable in full on the date that is five (5) business days prior to the Record Date and (ii) if the holder elects not to exercise all or part of the holder's Delta Woodside Stock Options prior to the Record Date, such unexercised Delta Woodside Stock Options shall remain exercisable for the same number of Delta Woodside Shares at the same exercise price after the Distribution as before the Distribution (and for no other securities), notwithstanding the occurrence of the Distribution.

(b) Notwithstanding anything to the contrary herein, if it is determined that compliance with paragraph (a) of this Section 8.1 may cause any individual

subject to Section 16 of the Exchange Act to become subject to the profit recovery provisions thereof, the parties hereto will cooperate, including by providing alternate arrangements, so as to achieve the intent of the foregoing

together with minimizing or not giving such profit recovery.

8.2 Employees.

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(a) Duck Head shall, or shall cause a member of the Duck Head Group to, assume, honor and be bound by any employment and/or severance agreements between or among each Duck Head Employee and any member of the Delta Woodside Group, the Duck Head Group and/or the Delta Apparel Group.

(b) Delta Apparel shall, or shall cause a member of the Delta Apparel Group to, assume, honor and be bound by any employment and/or severance agreements between or among each Delta Apparel Employee and any member of the Delta Woodside Group, the Duck Head Group and/or the Delta Apparel Group.

(c) Delta Woodside shall, or shall cause a member of the Delta Woodside Group to, assume, honor and be bound by any employment and/or severance agreements between or among any Delta Woodside Employee and any member the Delta Woodside Group, the Duck Head Group and/or the Delta Apparel Group.

8.3. Qualified Defined Contribution Plans.

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(a) No member of the Duck Head Group or the Delta Apparel Group shall have any obligation to make contributions to the Delta Woodside Industries, Inc. Savings and Investment Plan (the "Delta Woodside 401(k) Plan") in respect of any member of the Duck Head Employee Group or the Delta Apparel Employee Group or otherwise after the Effective Time, except for accrued but unpaid employee and employer contributions, if any, relating to that employee's compensation earned before the Effective Time.

(b) Effective not later than the Effective Time, Duck Head shall, or shall cause a member of the Duck Head Group to, adopt or designate a defined contribution plan intended to qualify under Section 401(a) and Section 401(k) of the Code (the "Duck Head 401(k) Plan"). Members of the Duck Head Employee Group shall be vested in their benefits under and eligible to participate in the Duck Head 401(k) Plan on and after the Effective Time to the same extent that those members were vested in their benefits under and eligible to participate in the Delta Woodside 401(k) Plan immediately before the Effective Time.

(c) Effective not later than the Effective Time, Delta Apparel shall, or shall cause a member of the Delta Apparel Group to, adopt or designate a defined contribution plan intended to qualify under Section 401(a) and Section 401(k) of the Code (the "Delta Apparel 401(k) Plan"). Members of the Delta Apparel Employee Group shall be vested in their benefits under and eligible to participate in the Delta Apparel 401(k) Plan on and after the Effective Time to the same extent that those members were vested in their benefits under and eligible to participate in the Delta Woodside 401(k) Plan immediately before the Effective Time.

(d) As soon as practicable after the adoption or designation of the Duck Head 401(k) Plan, Delta Woodside shall cause to be transferred to the Duck Head 401(k) Plan cash or, to the extent provided below, other assets as the parties may agree, having a fair market value equal to the aggregate value of the account balances in the Delta Woodside 401(k) Plan, and any allocable portion of any suspense account, as of the date of the plan asset transfer for each member of the Duck Head Employee Group. The plan asset transfer contemplated by this paragraph (d) shall include any notes evidencing loans to members of the Duck Head Employee Group from their account balances, securities, Delta Woodside Shares, if any, Duck Head Shares, if any, and Delta Apparel Shares, if any, held in any such member's account and the balance in cash, and shall also include all qualified domestic relations orders, within the meaning of Section 414(p) of the Code, applicable to members of the Duck Head Employee Group. The transfer of assets contemplated by this paragraph (d) shall be made only after Duck Head has supplied to Delta Woodside a written representation from Duck Head (with appropriate indemnities) to the effect that the Duck Head 401(k) Plan has been



established in accordance with the Code and ERISA, and an agreement that Duck Head has requested or will request a determination letter from the IRS and will make any and all changes to the Duck Head 401(k) Plan necessary to receive a favorable determination letter.

(e) As soon as practicable after the adoption or designation of the Delta Apparel 401(k) Plan, Delta Woodside shall cause to be transferred to the Delta Apparel 401(k) Plan cash or, to the extent provided below, other assets as the parties may agree, having a fair market value equal to the aggregate value of the account balances in the Delta Woodside 401(k) Plan, and any allocable portion of any suspense account, as of the date of the plan asset transfer for each member of the Delta Apparel Employee Group. The plan asset transfer contemplated by this paragraph (e) shall include any notes evidencing loans to members of the Delta Apparel Employee Group from their account balances, securities, Delta Woodside Shares, if any, Duck Head Shares, if any, and Delta Apparel Shares, if any, held in any such member's account and the balance in cash, and shall also include all qualified domestic relations orders, within the meaning of Section 414(p) of the Code, applicable to members of the Delta Apparel Employee Group. The transfer of assets contemplated by this paragraph (e) shall be made only after Delta Apparel has supplied to Delta Woodside a written representation from Delta Apparel (with appropriate indemnities) to the effect that the Delta Apparel 401(k) Plan has been established in accordance with the Code and ERISA, and an agreement that Delta Apparel has requested or will request a determination letter from the IRS and will make any and all changes to the Delta Apparel 401(k) Plan necessary to receive a favorable determination letter.

(f) In any event, the transfer of plan assets provided for in paragraphs (d) and (e) above shall occur such that each participant in the Delta Woodside 401(k) Plan immediately prior to the transfer of assets would receive a benefit immediately after the transfer of assets (if the Delta Woodside 401(k) Plan, the Duck Head 401(k) Plan and the Delta Apparel 401(k) Plan were then terminated) that would be equal to or greater than the benefit such participant would have received immediately before the transfer of assets (if the Delta Woodside 401(k) Plan had then terminated).

(g) Delta Woodside, Duck Head and Delta Apparel shall cooperate with each other during

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the period beginning on the date hereof and ending on the date that the assets are transferred to the trust maintained under the Duck Head 401(k) Plan or Delta Apparel 401(k) Plan, as applicable, to ensure the ongoing operation and administration of the Delta Woodside 401(k) Plan, the Duck Head 401(k) Plan and the Delta Apparel 401(k) Plan with respect to the members of the Delta Woodside Employee Group, the Duck Head Employee Group and the Delta Apparel Employee Group. After those transfers of assets, (i) Duck Head shall assume all of the Delta Woodside Group Liabilities under the Delta Woodside 401(k) Plan with respect to each member of the Duck Head Employee Group and the Delta Woodside Group shall have no further liability, under this Distribution Agreement or otherwise, to any member of the Duck Head Group or any member of the Duck Head Employee Group under the Delta Woodside 401(k) Plan other than liability arising out of any breach of fiduciary duties or any non-exempt prohibited transaction occurring before that transfer of assets and liabilities, and (ii) Delta Apparel shall assume all of the Delta Woodside Group Liabilities under the Delta Woodside 401(k) Plan with respect to each member of the Delta Apparel Employee Group and the Delta Woodside Group shall have no further liability, under this Distribution Agreement or otherwise, to any member of the Delta Apparel Group or any member of the Delta Apparel Employee Group under the Delta Woodside 401(k) Plan other than liability arising out of any breach of fiduciary duties or any non-exempt prohibited transaction occurring before that transfer of assets and liabilities.

#### 8.4. Welfare Benefit Plans.

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(a) (i) Effective as of the Effective Time, no member of the Duck Head Employee Group or the Delta Apparel Employee Group shall be eligible to participate in any "Employee Welfare Benefit Plan" (within the meaning of Section 3(1) of ERISA) sponsored by Delta Woodside or any member of the Delta Woodside Group and neither Delta Woodside nor any member of the Delta Woodside Group shall have any liability after the Effective Time for Welfare Benefits (within the contemplation of Section 3(1) of ERISA) of any member of the Duck Head Employee Group or the Delta Apparel Employee Group.

(ii) Delta Woodside shall be responsible for all Welfare Benefits payable to or in respect of each member of the Delta Woodside Employee Group regardless of whether the event(s) giving rise to payment of those benefits occurred before, on or after the Effective Time.

(b) (i) Effective as of the Effective Time, Duck Head shall establish or designate one or more Employee Welfare Benefit Plans covering members of the Duck Head Employee Group as Duck Head, in its sole discretion, shall determine.

(ii) Except as set forth in Section 8.4(d), Duck Head shall be responsible for all Welfare Benefits payable after the Effective Time to or in respect of each member of the Duck Head Employee Group including, without limitation, post-employment medical, dental and life insurance benefits, if any.

(c) (i) Effective as of the Effective Time, Delta Apparel shall establish or designate one

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or more Employee Welfare Benefit Plans covering members of the Delta Apparel Employee Group as Delta Apparel, in its sole discretion, shall determine.

(ii) Except as set forth in Section 8.4(d), Delta Apparel shall be responsible for all Welfare Benefits payable after the Effective Time to or in respect of each member of the Delta Apparel Employee Group including, without limitation, post-employment medical, dental and life insurance benefits, if any.

(d) Expenses incurred by each member of the Duck Head Employee Group or the Delta Apparel Employee Group under Delta Woodside's medical and dental plans during the calendar year that includes the Effective Time shall be taken into account for purposes of satisfying deductible and coinsurance requirements and satisfaction of out-of-pocket provisions of the Duck Head Group's or the Delta Apparel Group's, as applicable, medical and dental plans for that year. Duck Head shall be liable, and shall to the extent necessary reimburse Delta Woodside, for all medical or dental claims incurred before the Effective Time by any member of the Duck Head Employee Group and for life insurance claims in respect of any member of the Duck Head Employee Group who dies on or before the Effective Time. Delta Apparel shall be liable, and shall to the extent necessary reimburse Delta Woodside, for all medical or dental claims incurred before the Effective Time by any member of the Delta Apparel Employee Group and for life insurance claims in respect of any member of the Delta Apparel Employee Group who dies on or before the Effective Time. For purposes of this Section 8.4, a medical or dental claim shall be deemed "incurred" when the relevant service is provided or item is purchased.

8.5 Directors. Delta Woodside shall retain all liabilities and related  
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assets, if any, existing as of the Effective Time relating to any director of Delta Woodside with respect to his service as a director of Delta Woodside.

8.6 Deferred Compensation.  
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(a) All deferred compensation liabilities to the extent applicable to any member of the Duck Head Employee Group, and any assets allocable to those liabilities, shall be transferred to and assumed by Duck Head as of the Effective Time, and all deferred compensation liabilities to the extent applicable to any member of the Delta Apparel Employee Group, and any assets allocable to those liabilities, shall be transferred to and assumed by Delta Apparel as of the Effective Time.

(b) Delta Woodside shall retain all deferred compensation liabilities, and any assets allocable to those liabilities, to the extent applicable to any member of the Delta Woodside Employee Group under the Delta Woodside Deferred Compensation Plan.

8.7 Employee Benefit Transition Services. Pursuant to and on the terms and  
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conditions set forth in Schedule 8.7 hereto, each party agrees to provide certain administrative services to the other parties in respect of the members of the Delta Woodside Employee Group, the Duck Head Employee Group and the Delta Apparel Employee Group, including but not limited to payroll

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services, record keeping services and claims processing services and for the applicable period set forth in that Schedule. The administrative services contemplated by this Section 8.7 shall not affect the allocation of liabilities and obligations as set forth in this Article 8.

8.8 COBRA.  
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(a) As of the Effective Time, Duck Head shall, or shall cause a member of the Duck Head Group to, assume Delta Woodside's obligations and responsibilities under ERISA Title I, Subtitle 8, Part 6 and Code Section 4980B ("COBRA Coverage") to each member of the Duck Head Employee Group.

(b) As of the Effective Time, Delta Apparel shall, or shall cause a member of the Delta Apparel Group to, assume Delta Woodside's obligations and responsibilities to provide COBRA Coverage to each member of the Delta Apparel Employee Group.

(c) Delta Woodside shall, or shall cause a member of the Delta Woodside Group to, retain the obligation and responsibility to provide COBRA Coverage to each member of the Delta Woodside Employee Group.

8.9 Third Party Beneficiaries. No provision of this Distribution Agreement  
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(including without limitation this Article 8) shall (a) create any third party beneficiary rights in any Person (including any beneficiary or dependent thereof) in respect of continued employment or resumed employment with the Delta Woodside Group, the Duck Head Group or the Delta Apparel Group, (b) create any rights that do not already exist in any Person in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or benefit arrangement sponsored or to be sponsored by any member of the Delta Woodside Group, the Duck Head Group or the Delta Apparel Group, or (c) otherwise establish or create any rights that do not already exist on the part of any third party.

8.10 No Right to Continued Employment. Nothing in this Article 8 shall  
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confer any right to continued employment before or after the Effective Time on any member of the Delta Woodside Employee Group, the Duck Head Employee Group or the Delta Apparel Employee Group.

8.11 WARN Act.  
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(a) Delta Woodside shall be responsible for providing any notification that may be required under the Workers Adjustment and Retraining Notification Act ("WARN Act") with respect to any member of the Delta Woodside Employee Group on or after the Effective Time.

(b) Duck Head shall be responsible for providing any notification that may be required under the WARN Act with respect to any member of the Duck Head Employee Group on or after the Effective Time.

(c) Delta Apparel shall be responsible for providing any notification that may be required under the WARN Act with respect to any member of the Delta Apparel Employee Group on or after the Effective Time.

ARTICLE 9

ADDITIONAL AGREEMENTS OF DELTA WOODSIDE

9.1 Access to Information. From the date hereof through the Effective Time,  
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Delta Woodside and its Subsidiaries shall afford to Duck Head and Delta Apparel and their respective accountants, counsel and other representatives full and reasonable access (subject, however, to existing confidentiality and similar non-disclosure obligations and the preservation of attorney/client and work product privileges) during normal business hours (and at such other times as the parties may mutually agree) to its properties, books, contracts, commitments, records and personnel and, during such period, shall furnish promptly to Duck

Head and Delta Apparel (i) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal securities laws, and (ii) all other information concerning its business, properties and personnel as Duck Head or Delta Apparel may reasonably request.

9.2 Preparation of the Duck Head Form 10, Duck Head Information Statement, Delta Apparel Form 10 and Delta Apparel Information Statement. Delta Woodside

will assist Duck Head to comply with Duck Head's obligations under Section 10.2 and will assist Delta Apparel to comply with Delta Apparel's obligations under Section 11.2. Delta Woodside will cooperate and furnish promptly (a) all information requested by Duck Head or otherwise required for inclusion in the Duck Head Form 10 or the Duck Head Information Statement and (b) all information requested by Delta Apparel or otherwise required for inclusion in the Delta Apparel Form 10 or the Delta Apparel Information Statement. If at any time prior to the Effective Time any event or circumstance relating to Delta Woodside or any of its Subsidiaries, or their respective officers or directors, should be discovered by Delta Woodside that should be set forth in an amendment or a supplement to the Duck Head Form 10, the Duck Head Information Statement, the Delta Apparel Form 10 or the Delta Apparel Information Statement, Delta Woodside shall promptly inform Duck Head or Delta Apparel, as applicable, thereof and take appropriate action in respect thereof.

9.3 Public Announcements. So long as this Distribution Agreement is in effect, Delta Woodside agrees to use its reasonable efforts to consult with Duck Head and Delta Apparel before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Distribution Agreement.

9.4 Efforts; Consents. (a) Subject to the terms and conditions herein provided, Delta Woodside agrees to use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Distribution Agreement and to cooperate with

Duck Head and Delta Apparel in connection with the foregoing. Without limiting the generality of the foregoing, Delta Woodside shall make or cause to be made all required filings with or applications to Governmental Entities (including under the Securities Act and the Exchange Act) to be made by it, and use its best efforts to (i) obtain all necessary waivers of any Violations and other Consents of all Governmental Entities and other third parties necessary for the parties to consummate the transactions contemplated hereby, (ii) oppose, lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and (iii) fulfill all conditions to this Distribution Agreement.

(b) Delta Woodside shall promptly provide Duck Head and Delta Apparel copies of (i) all filings made by Delta Woodside with any Governmental Entity in connection with this Distribution Agreement and the transactions contemplated hereby, and (ii) any inquiry or request for information (including notice of any oral request for information), pleading, order or other document Delta Woodside receives from any Governmental Entity with respect to the matters referred to in this Section 9.4.

9.5 Notice of Breaches. Delta Woodside shall give prompt notice to Duck Head and Delta Apparel of (i) any representation or warranty made by it contained in this Distribution Agreement that has become untrue or inaccurate in any material respect, or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Distribution Agreement; provided, however, that such notification shall not excuse or otherwise affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Distribution Agreement.

9.6 Acquisition Proposals Respecting the Duck Head Group or the Delta Apparel Group. The parties agree that, prior to the Effective Time, Delta Woodside, its Subsidiaries and their respective Representatives (including,

without limitation, any investment banker, attorney or accountant retained by Delta Woodside or any of its Subsidiaries) may initiate, continue, solicit and encourage, directly or indirectly, any inquiries and the making of any proposal or offer to Delta Woodside and/or any of its Subsidiaries, and engage in any negotiations concerning, and provide any confidential information or data to, and have any discussions with, any Person, with respect to a merger, consolidation or similar transaction involving, or any sale of all or any significant portion of the assets or any equity securities of, the Delta Woodside Group, the Duck Head Group or the Delta Apparel Group, singly or together (any such proposal or offer being hereinafter referred to as a "Permitted Acquisition Proposal"), and otherwise knowingly facilitate any effort or attempt to make or implement a Permitted Acquisition Proposal and enter into any agreement or understanding with any other Person with the intent to effect any Permitted Acquisition Proposal. Delta Woodside will notify Duck Head and Delta Apparel of any written Permitted Acquisition Proposals or oral Permitted Acquisition Proposals made to the Chief Executive Officer of Delta Woodside. Following receipt of a Permitted Acquisition Proposal, Delta Woodside's Board of Directors may elect to terminate this Distribution Agreement as provided in Section 13.1 or to modify the terms of the Distribution and this Distribution Agreement to permit consummation of the Permitted Acquisition Proposal and thereby to delete from the Distribution shares of Duck Head Common Stock or shares

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of Delta Apparel Common Stock. If Duck Head and Delta Apparel consent to such modification, the parties shall amend this Distribution Agreement accordingly, and shall (if still practicable), subject to the other provisions of this Distribution Agreement, as so modified, use their respective best efforts to cause the Distribution to be consummated.

9.7 Completion of Financing. No later than the Effective Time, Delta Woodside or one or more of its Subsidiaries (other than the Duck Head Group and the Delta Apparel Group) shall have incurred or repaid such indebtedness and entered into such credit facilities or amendments to credit facilities, if any, as shall be necessary for Delta Woodside to be able to consummate the transactions contemplated by this Distribution Agreement (the "New Delta Woodside Financing").

9.8 Other Securities Law Actions. Delta Woodside shall prepare and file with the SEC and cause to become effective any registration statements or amendments thereto that are necessary or appropriate to reflect the establishment of or amendments to any employee benefit and other plans of the Delta Woodside Group contemplated by this Distribution Agreement. Delta Woodside shall take all actions as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Distribution Agreement.

9.9 Delta Woodside Group Liabilities. Except as specifically set forth in any of the Distribution Documents, from and after the Effective Time, Delta Woodside shall, and shall use its reasonable best efforts to cause its Subsidiaries to, pay, perform and discharge in due course all of the Delta Woodside Group Liabilities for which such entity is liable

## ARTICLE 10

### ADDITIONAL AGREEMENTS OF DUCK HEAD

10.1 Access to Information. From the date hereof through the Effective Time, Duck Head and its Subsidiaries shall afford to Delta Woodside and Delta Apparel and their respective accountants, counsel and other representatives full and reasonable access (subject, however, to existing confidentiality and similar non-disclosure obligations and the preservation of attorney/client and work product privileges) during normal business hours (and at such other times as the parties may mutually agree) to its properties, books, contracts, commitments, records and personnel and, during such period, shall furnish promptly to Delta Woodside and Delta Apparel (i) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal securities laws, and (ii) all other information concerning its business, properties and personnel as Delta Woodside or Delta Apparel may reasonably

request.

10.2 Preparation of Duck Head Form 10 and Duck Head Information Statement.

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To the extent not already accomplished, Duck Head will, as soon as practicable following the date of this Distribution Agreement, prepare and file the Duck Head Form 10 and a preliminary Duck Head

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Information Statement with the SEC and will use all reasonable efforts to respond to any comments of the SEC or its staff and to cause the Duck Head Form 10 to be declared effective by the SEC and the Duck Head Information Statement to be mailed to the Delta Woodside Stockholders as promptly as practicable after responding to all such comments to the satisfaction of the SEC or its staff. Duck Head will provide Delta Woodside and Delta Apparel with a copy of the Duck Head Form 10 and the preliminary Duck Head Information Statement and all modifications thereto prior to filing or delivery to the SEC and will consult with Delta Woodside and Delta Apparel in connection therewith. Duck Head will notify Delta Woodside and Delta Apparel promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Duck Head Form 10 or the Duck Head Information Statement or for additional information and will supply Delta Woodside and Delta Apparel with copies of all correspondence between Duck Head or any of its Representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Duck Head Form 10, the Duck Head Information Statement or the Distribution. Duck Head will cooperate and furnish promptly all information requested by Delta Woodside or Delta Apparel or otherwise required for inclusion in any Delta Woodside Disclosure Document or the Delta Apparel Form 10 or the Delta Apparel Information Statement, as the case may be. If at any time prior to the Effective Time there shall occur any event that should be set forth in an amendment or supplement to the Duck Head Form 10 or the Duck Head Information Statement, Duck Head will promptly, as appropriate, file with the SEC or prepare and mail to the Delta Woodside Stockholders such an amendment or supplement. If at any time prior to the Effective Time any event or circumstance relating to Duck Head, or its officers or directors, should be discovered by Duck Head that should be set forth in an amendment or a supplement to any Delta Woodside Disclosure Document or the Delta Apparel Form 10 or the Delta Apparel Information Statement, Duck Head shall promptly inform Delta Woodside or Delta Apparel (as the case may be) thereof and take appropriate action in respect thereof.

10.3 Public Announcements. So long as this Distribution Agreement is in

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effect, Duck Head agrees to use its reasonable efforts to consult with Delta Woodside and Delta Apparel before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Distribution Agreement. Prior to the Effective Time, Duck Head shall not issue any press release or otherwise make any public statement without the consent of Delta Woodside.

10.4 Efforts; Consents. (a) Subject to the terms and conditions herein

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provided, Duck Head agrees to use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Distribution Agreement and the Distribution and to cooperate with Delta Woodside and Delta Apparel in connection with the foregoing. Without limiting the generality of the foregoing, Duck Head shall make or cause to be made all required filings with or applications to Governmental Entities (including under the Securities Act and the Exchange Act) to be made by it, and use its best efforts to (i) obtain all necessary waivers of any Violations and other Consents of all Governmental Entities and other third parties, necessary for the parties to consummate the transactions contemplated hereby, (ii) oppose, lift or rescind any

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injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and (iii) fulfill all conditions to this Distribution Agreement.

(b) Duck Head shall promptly provide Delta Woodside and Delta Apparel copies of (i) all filings made by Duck Head with any Governmental Entity in connection with this Distribution Agreement and the transactions contemplated

hereby, and (ii) any inquiry or request for information (including notice of any oral request for information), pleading, order or other document Duck Head receives from any Governmental Entity with respect to the matters referred to in this Section 10.4.

10.5 Notice of Breaches. Duck Head shall give prompt notice to Delta Woodside and Delta Apparel of (i) any representation or warranty made by it contained in this Distribution Agreement that has become untrue or inaccurate in any material respect, or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Distribution Agreement; provided, however, that such notification shall not excuse or otherwise affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Distribution Agreement.

10.6 Effectuation of Intercompany Reorganization and Duck Head Financing. Duck Head shall perform all actions necessary or appropriate, and within its power, to accomplish the Intercompany Reorganization, as contemplated by Section 2.1, and the Duck Head Financing, as contemplated by Section 2.2.

10.7 [AMEX] Listing. As promptly as practicable, Duck Head shall prepare, file and pursue an application to permit the listing of the Duck Head Common Stock on the [AMEX], and such listing shall be completed by the Effective Time.

10.8 Other Securities Law Actions. Duck Head shall prepare and file with the SEC and cause to become effective any registration statements or amendments thereto that are necessary or appropriate to reflect the establishment of or amendments to any employee benefit and other plans of the Duck Head Group contemplated by this Distribution Agreement. Duck Head shall take all actions as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Distribution Agreement.

10.9 Duck Head Common Stock. Duck Head agrees to provide to the Distribution Agent all certificates for shares of Duck Head Common Stock that shall be required in order to consummate the transactions contemplated by this Distribution Agreement.

10.10 Duck Head Group Liabilities. Except as specifically set forth in any of the Distribution Documents, from and after the Effective Time, Duck Head shall, and shall use its reasonable best efforts to cause its Subsidiaries to, pay, perform and discharge in due course all of the Duck Head Group Liabilities for which such entity is liable

## ARTICLE 11

### ADDITIONAL AGREEMENTS OF DELTA APPAREL

11.1 Access to Information. From the date hereof through the Effective Time, Delta Apparel and its Subsidiaries shall afford to Delta Woodside and Duck Head and their respective accountants, counsel and other representatives full and reasonable access (subject, however, to existing confidentiality and similar non-disclosure obligations and the preservation of attorney/client and work product privileges) during normal business hours (and at such other times as the parties may mutually agree) to its properties, books, contracts, commitments, records and personnel and, during such period, shall furnish promptly to Delta Woodside and Duck Head (i) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal securities laws, and (ii) all other information concerning its business, properties and personnel as Delta Woodside or Duck Head may reasonably request.

11.2 Preparation of Delta Apparel Form 10 and Delta Apparel Information Statement. To the extent not already accomplished, Delta Apparel will, as soon

as practicable following the date of this Distribution Agreement, prepare and file the Delta Apparel Form 10 and a preliminary Delta Apparel Information Statement with the SEC and will use all reasonable efforts to respond to any comments of the SEC or its staff and to cause the Delta Apparel Form 10 to be declared effective by the SEC and the Delta Apparel Information Statement to be mailed to the Delta Woodside Stockholders as promptly as practicable after responding to all such comments to the satisfaction of the SEC or its staff. Delta Apparel will provide Delta Woodside and Duck Head with a copy of the Delta Apparel Form 10 and the preliminary Delta Apparel Information Statement and all modifications thereto prior to filing or delivery to the SEC and will consult with Delta Woodside and Duck Head in connection therewith. Delta Apparel will notify Delta Woodside and Duck Head promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Delta Apparel Form 10 or the Delta Apparel Information Statement or for additional information and will supply Delta Woodside and Duck Head with copies of all correspondence between Delta Apparel or any of its Representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Delta Apparel Form 10, the Delta Apparel Information Statement or the Distribution. Delta Apparel will cooperate and furnish promptly all information requested by Delta Woodside or Duck Head or otherwise required for inclusion in any Delta Woodside Disclosure Document or the Duck Head Form 10 or the Duck Head Information Statement, as the case may be. If at any time prior to the Effective Time there shall occur any event that should be set forth in an amendment or supplement to the Delta Apparel Form 10 or the Delta Apparel Information Statement, Delta Apparel will promptly, as appropriate, file with the SEC or prepare and mail to the Delta Woodside Stockholders such an amendment or supplement. If at any time prior to the Effective Time any event or circumstance relating to Delta Apparel, or its officers or directors, should be discovered by Delta Apparel that should be set forth in an amendment or a supplement to any Delta Woodside Disclosure Document or the Duck Head Form 10 or the Duck Head Information Statement, Delta Apparel shall promptly inform Delta Woodside or Duck

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Head (as the case may be) thereof and take appropriate action in respect thereof.

11.3 Public Announcements. So long as this Distribution Agreement is in  
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effect, Delta Apparel agrees to use its reasonable efforts to consult with Delta Woodside and Duck Head before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Distribution Agreement. Prior to the Effective Time, Delta Apparel shall not issue any press release or otherwise make any public statement without the consent of Delta Woodside.

11.4 Efforts; Consents. (a) Subject to the terms and conditions herein  
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provided, Delta Apparel agrees to use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Distribution Agreement and the Distribution and to cooperate with Delta Woodside and Duck Head in connection with the foregoing. Without limiting the generality of the foregoing, Delta Apparel shall make or cause to be made all required filings with or applications to Governmental Entities (including under the Securities Act and the Exchange Act) to be made by it, and use its best efforts to (i) obtain all necessary waivers of any Violations and other Consents of all Governmental Entities and other third parties, necessary for the parties to consummate the transactions contemplated hereby, (ii) oppose, lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby, and (iii) fulfill all conditions to this Distribution Agreement.

(b) Delta Apparel shall promptly provide Delta Woodside and Duck Head copies of (i) all filings made by Delta Apparel with any Governmental Entity in connection with this Distribution Agreement and the transactions contemplated hereby, and (ii) any inquiry or request for information (including notice of any oral request for information), pleading, order or other document Delta Apparel receives from any Governmental Entity with respect to the matters referred to in this Section 11.4.

11.5 Notice of Breaches. Delta Apparel shall give prompt notice to Delta  
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Woodside and Duck Head of (i) any representation or warranty made by it contained in this Distribution Agreement that has become untrue or inaccurate in any material respect, or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Distribution Agreement; provided, however, that such notification shall not excuse or otherwise affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Distribution Agreement.

11.6 Effectuation of Intercompany Reorganization and Delta Apparel

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Financing. Delta Apparel shall perform all actions necessary or appropriate, and

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within its power, to accomplish the Intercompany Reorganization, as contemplated by Section 2.1, and the Delta Apparel Financing, as contemplated by Section 2.2.

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11.7 [AMEX] Listing. As promptly as practicable, Delta Apparel shall

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prepare, file and pursue an application to permit the listing of the Delta Apparel Common Stock on the [AMEX], and such listing shall be completed by the Effective Time.

11.8 Other Securities Law Actions. Delta Apparel shall prepare and file

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with the SEC and cause to become effective any registration statements or amendments thereto that are necessary or appropriate to reflect the establishment of or amendments to any employee benefit and other plans of the Delta Apparel Group contemplated by this Distribution Agreement. Delta Apparel shall take all actions as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Distribution Agreement.

11.9 Delta Apparel Common Stock. Delta Apparel agrees to provide to the

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Distribution Agent all certificates for shares of Delta Apparel Common Stock that shall be required in order to consummate the transactions contemplated by this Distribution Agreement.

11.10 Delta Apparel Group Liabilities. Except as specifically set forth in

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any of the Distribution Documents, from and after the Effective Time, Delta Apparel shall, and shall use its reasonable best efforts to cause its Subsidiaries to, pay, perform and discharge in due course all of the Delta Apparel Group Liabilities for which such entity is liable

ARTICLE 12

ACCESS TO INFORMATION

12.1 Provision of Corporate Records. Immediately before or as soon as

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practicable after the Effective Time, each Group shall provide to the applicable other Group all documents, contracts, books, records and data (including, but not limited to, minute books, stock registers, stock certificates, documents of title and documents in electronic format) in its possession relating primarily to the other Group or its business and affairs; provided that if any of those documents, contracts, books, records or data relate to more than one Group or the businesses and operations of more than one Group, each Group shall provide to the other applicable Group when and if requested true and complete copies (including, if requested, versions of these documents in electronic format) of those documents, contracts, books, records or data.

12.2 Access to Information. After the Effective Time, each Group shall

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promptly provide reasonable access during normal business hours to each of the other Groups and its Representatives to all documents, contracts, books, records, Defense Materials, computer data and other data in that Group's possession relating to the other applicable Group or its business and affairs (other than data and information subject to an attorney/client or other privilege that is not subject to the provisions of any joint defense arrangement

between the relevant member or members of one Group and the

relevant member or members of another Group), to the extent that such access is reasonably requested by the other Group, including, but not limited to, for audit, accounting, litigation, disclosure and reporting purposes.

12.3 Future Litigation and Other Proceedings. Each Group shall use all  
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commercially reasonable efforts to make its directors, officers, employees and representatives available as witnesses to another Group and its accountants, counsel and other designated representatives, upon reasonable written request. Additionally, each Group shall otherwise cooperate with the other Groups, to the extent reasonably required in connection with any Action arising out of any Group's business and operations in which the requesting party may be involved.

12.4 Reimbursement. Except and to the extent that any member of one Group  
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is obligated to indemnify any member of the other Group under Article 14 for that cost or expense, each Group providing information or witnesses to the other Group, or otherwise incurring any expense in connection with cooperating, under this Agreement shall be entitled to receive from the recipient thereof, upon the presentation of invoices therefor, payment for all reasonable out-of-pocket costs and expenses as may reasonably be incurred in providing such information, witnesses or cooperation.

12.5 Retention of Records. Except as otherwise required by law or agreed to  
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in writing, each party shall retain, and shall cause the members of its Group to retain, all information relating to any other Group's business and operations in accordance with the past practice of that party. Notwithstanding the foregoing, any party may destroy or otherwise dispose of any of that information at any time, provided that, for a period of six years after the Effective Time, before destruction or disposal of information that such party consciously knows relates to any other Group's business and operations, (i) that party shall use its best efforts to provide not less than 90 days' prior written notice to the other party, specifying the information proposed to be destroyed or disposed of, and (ii) if the recipient of that notice shall request in writing before the scheduled date for destruction or disposal that any of the information proposed to be destroyed or disposed of be delivered to that requesting party, the party proposing the destruction or disposal shall promptly deliver to that requesting party, at the expense of the requesting party, the information that was requested.

12.6 Confidentiality. Each party shall hold and shall cause its  
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Representatives to hold in strict confidence all information (other than any information relating primarily to the business or affairs of that party) concerning another party (or the Group of which it forms a part) unless and to the extent that (i) that party is compelled to disclose that information by judicial or administrative process or, in the opinion of its counsel, by other requirements of law or (ii) that information can be shown to have been (A) in the public domain through no fault of that party, (B) lawfully acquired after the Effective Time on a non-confidential basis or (C) acquired or developed independently by that party after the Effective Time without violating this Section 12.6 or any other confidentiality agreement with the other party. Notwithstanding the foregoing, a party may disclose that information to its Representatives so long as those Representatives are informed by that party of the confidential nature of that information and are directed by that party to treat that information

confidentially. Each party shall be responsible for any breach of such direction or of this Section by any of its Representatives. If a party or any of its Representatives becomes legally compelled to disclose any documents or information subject to this Section 12.6, that party shall promptly notify the other party so that the other party may seek a protective order or other remedy or waive that party's compliance with this Section 12.6. If no such protective order or other remedy is obtained or waiver granted, that party will furnish only the portion of the information that it is advised by counsel is legally required and will exercise all commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded that information. Without prejudice to the rights and remedies of any party to this

Distribution Agreement, if any party breaches or threatens to breach any provision of this Section 12.6, the affected party shall be entitled to equitable relief by way of an injunction without the requirement for the posting of bond.

12.7 Inapplicability of Article to Tax Matters. Notwithstanding anything to the contrary in this Article 12, this Article 12 shall not apply to information, records and other matters relating to Taxes, all of which shall be governed by the Tax Sharing Agreement.

### ARTICLE 13

#### TERMINATION, AMENDMENT AND WAIVER

13.1 Termination. This Distribution Agreement may be terminated at any time prior to the Effective Time by Delta Woodside for any reason.

13.2 Effect of Termination. In the event of termination of this Distribution Agreement by Delta Woodside, as provided in Section 13.1, this Distribution Agreement shall forthwith become void and there shall be no liability hereunder on the part of any of Delta Woodside, Duck Head or Delta Apparel or their respective officers or directors; provided that Sections 13.2 and 15.11 shall survive the termination.

13.3 Amendment. This Distribution Agreement may be amended by the parties hereto at any time. This Distribution Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

13.4 Waiver. At any time prior to the Effective Time, the parties hereto may, to the extent permitted by applicable law, (i) extend the time for the performance of any of the obligations or other acts of any other party hereto, (ii) waive any inaccuracies in the representations and warranties by any other party contained herein or in any documents delivered by any other party pursuant hereto and (iii) waive compliance with any of the agreements of any other party or with any conditions to its own obligations contained herein. Any agreement on the part of a party hereto to any such extension or to any waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. No delay on the part of any party hereto in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of any party hereto of any

right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. Unless otherwise provided, the rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that the parties may otherwise have at law or in equity.

### ARTICLE 14

#### INDEMNIFICATION

14.1 Indemnification by Delta Woodside. From and after the Effective Time, Delta Woodside shall indemnify and hold harmless, to the full extent permitted by law, each member of the Duck Head Group and each member of the Delta Apparel Group, and each present and former director, officer, employee and agent of any member of the Duck Head Group and/or the Delta Apparel Group, against any and all liabilities and expenses, including reasonable attorneys' fees, fines, losses, claims, damages, liabilities, costs, expenses, judgments and amounts paid in settlement (collectively, "Damages"), incurred or suffered by such member of the Duck Head Group or member of the Delta Apparel Group, or such director, officer, employee or agent, as the case may be, whether or not in connection with any threatened, pending or completed Action (and whether asserted or commenced prior to or after the Effective Time), and Delta Woodside

shall advance expenses to each such indemnified Person, arising out of or pertaining to:

(a) any breach of the representations and warranties made by Delta Woodside in Article 4 (which representations and warranties shall not expire for purposes of this Article 14, notwithstanding any other provision of this Distribution Agreement to the contrary);

(b) the breach by any member of the Delta Woodside Group of any obligation under (i) this Distribution Agreement or (ii) any of the other Distribution Documents, other than the Tax Sharing Agreement;

(c) any and all Delta Woodside Group Liabilities; or

(d) any untrue statement or alleged untrue statement of a material fact contained in any Delta Woodside Disclosure Document, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as those Damages are caused by any such untrue statement or omission or alleged untrue statement or omission that was based upon information furnished to Delta Woodside by any member of the Duck Head Group or any member of the Delta Apparel Group expressly for use therein.

14.2 Indemnification by Duck Head. From and after the Effective Time, Duck

Head shall indemnify and hold harmless, to the full extent permitted by law, each member of the Delta

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Woodside Group and each member of the Delta Apparel Group, and each present and former director, officer, employee and agent of any member of the Delta Woodside Group and/or the Delta Apparel Group, against any and all Damages incurred or suffered by such member of the Delta Woodside Group or member of the Delta Apparel Group, or such director, officer, employee or agent, as the case may be, whether or not in connection with any threatened, pending or completed Action (and whether asserted or commenced prior to or after the Effective Time), and Duck Head shall advance expenses to each such indemnified Person, arising out of or pertaining to:

(a) any breach of the representations and warranties made by Duck Head in Article 5 (which representations and warranties shall not expire for purposes of this Article 14, notwithstanding any other provision of this Distribution Agreement to the contrary);

(b) the breach by any member of the Duck Head Group of any obligation under (i) this Distribution Agreement or (ii) any of the other Distribution Documents, other than the Tax Sharing Agreement;

(c) any and all Duck Head Group Liabilities; or

(d) any untrue statement or alleged untrue statement of a material fact contained in any Duck Head Disclosure Document, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as those Damages are caused by any such untrue statement or omission or alleged untrue statement or omission that was based upon information furnished to Duck Head by any member of the Delta Woodside Group or any member of the Delta Apparel Group expressly for use therein.

14.3 Indemnification by Delta Apparel. From and after the Effective Time,

Delta Apparel shall indemnify and hold harmless, to the full extent permitted by law, each member of the Delta Woodside Group and each member of the Duck Head Group, and each present and former director, officer, employee and agent of any member of the Delta Woodside Group and/or the Duck Head Group, against any and all Damages incurred or suffered by such member of the Delta Woodside Group or member of the Duck Head Group, or such director, officer, employee or agent, as the case may be, whether or not in connection with any threatened, pending or completed Action (and whether asserted or commenced prior to or after the Effective Time), and Delta Apparel shall advance expenses to each such indemnified Person, arising out of or pertaining to:

(a) any breach of the representations and warranties made by Delta Apparel in Article 6 (which representations and warranties shall not expire for purposes of this Article 14, notwithstanding any other provision of this Distribution Agreement to the contrary);

(b) the breach by any member of the Delta Apparel Group of any obligation under (i) this Distribution Agreement or (ii) any of the other Distribution Documents, other than the Tax Sharing Agreement;

(c) any and all Delta Apparel Group Liabilities; or

(d) any untrue statement or alleged untrue statement of a material fact contained in any Delta Apparel Disclosure Document, or any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except insofar as those Damages are caused by any such untrue statement or omission or alleged untrue statement or omission that was based upon information furnished to Delta Apparel by any member of the Delta Woodside Group or any member of the Duck Head Group expressly for use therein.

14.4 Third-Party Rights; Insurance Proceeds; Tax Benefits; Mitigation.  
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(a) No insurer or any other third party shall be (i) entitled by reason of this Article 14 to a benefit (as a third-party beneficiary or otherwise) that it would not be entitled to receive in the absence of Section 14.1, 14.2 or 14.3, (ii) relieved by reason of this Article 14 of the responsibility to pay any claim to which it is obligated or (iii) entitled to any subrogation right with respect to any obligation under Section 14.1, 14.2 or 14.3.

(b) The amount that any indemnifying party is or may be required to pay to any indemnified Person pursuant to this Article 14 (i) shall be reduced (including retroactively) by (A) any insurance proceeds or other amounts actually recovered by or on behalf of such indemnified Person in reduction of the related Damages and (B) any Tax benefits realized or realizable by such indemnified Person based on the present value thereof by reason of such loss and (ii) shall be increased by any Tax liability incurred by such indemnified Person based on such indemnity payment. If an indemnified Person shall have received the payment required by this Distribution Agreement from an indemnifying party in respect of Damages and shall subsequently actually receive insurance proceeds, Tax benefits or other amounts in respect of such Damages as specified above, then such indemnified Person shall pay to such indemnifying party a sum equal to the amount of such insurance proceeds, Tax benefits or other amounts actually received. The indemnified Person shall take all reasonable steps to mitigate all Damages, including availing itself of any defenses, limitations, rights of contribution, claims against third parties and other rights at law (it being understood that any reasonable out-of-pocket costs paid to third parties in connection with such mitigation shall constitute Damages), and shall provide such evidence and documentation of the nature and extent of any Damages as may be reasonably requested by the indemnifying party.

(c) In addition to any adjustments required pursuant to paragraph (b) above, if the amount of any Damages shall, at any time subsequent to the payment required by this Distribution Agreement, be reduced by recovery, settlement or otherwise, the amount of such reduction, less any expenses incurred in connection therewith, shall promptly be repaid by the indemnified Person to the indemnifying party.

14.5 Indemnification Procedures.  
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(a) In the event of any Action (whether asserted or commenced prior to or after the Effective Time) as to which indemnification will be sought pursuant to Section 14.1, 14.2 or 14.3, the indemnifying party shall be entitled to participate in and, to the extent that it may wish, to assume the defense thereof with counsel selected by the indemnifying party and reasonably acceptable to the indemnified Person; provided that the indemnified Person shall have the right to participate in those proceedings and to be represented by counsel of its own choosing at the indemnified Person's sole cost and expense;

provided, however, that, if any indemnified Person (or group of indemnified Persons) reasonably believes that, as a result of an actual or potential conflict of interest, it is advisable for such indemnified Person (or group of indemnified Persons) to be represented by separate counsel or if the indemnifying party shall fail to assume responsibility for such defense, such indemnified Person (or group of indemnified Persons) will act in good faith with respect to such Action and may retain counsel satisfactory to such indemnified Person (or group of indemnified Persons) who will represent such indemnified Person or Persons, and the indemnifying party shall pay all reasonable fees and expenses of such counsel promptly as statements therefor are received. The indemnified Persons and the indemnifying party shall use their respective best efforts to assist in the vigorous defense of any such matter. The indemnifying party shall not be liable for any settlement effected without its written consent, which consent shall not be unreasonably withheld. The indemnifying party may settle or compromise the Action without the prior written consent of the indemnified Person so long as any settlement or compromise of the Action includes an unconditional release of the indemnified Person from all claims that are the subject of that Action, provided, however, that the indemnifying party may not agree to any such settlement or compromise that includes any remedy or relief (other than monetary damages for which the indemnifying party shall be responsible under this Article) applying to or against the indemnified Person, without the prior written consent of the indemnified Person (which consent shall not be unreasonably withheld). Notwithstanding the other provisions of this Article, the indemnifying party shall have no obligation under this Article to any indemnified Person when and if a court of competent jurisdiction shall ultimately determine, in a decision constituting a final determination, that such indemnified Person is not entitled to indemnification hereunder.

(b) Any indemnified Person wishing to claim indemnification under this Article, upon learning of any such Action, shall promptly notify the indemnifying party thereof in writing and shall deliver to the indemnifying party an undertaking to repay any amounts advanced pursuant to this Article when and if a court of competent jurisdiction shall ultimately determine, in a decision constituting a final determination, that such indemnified Person is not entitled to indemnification hereunder. The failure of the indemnified Person to give notice as provided in this paragraph (b) or paragraph (f) below shall not relieve the indemnifying party of its obligations under this Article, except to the extent that the indemnifying party is prejudiced by the failure to give notice. The indemnified Persons may as a group retain only one law firm pursuant to the preceding paragraph (a) to represent them at the expense of the indemnifying party with respect to any such matter unless there is, under applicable standards of professional conduct, a conflict on any significant issue between the positions of any two or more indemnified Persons in which case the indemnified Persons may retain, at the expense of the indemnifying party, such number of additional counsel as are reasonably necessary to eliminate all such conflicts.

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(c) This Article shall survive the Effective Time and the Distribution, is intended to benefit each indemnified Person and their respective successors, heirs, personal representatives and assigns (each of whom shall be entitled to enforce this Article), and shall be binding on all successors and assigns of the indemnifying party.

(d) In the event any indemnifying party or any of its successors or assigns (i) consolidates with or merges into any other entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its assets to any entity, then, and in each such case, proper provision shall be made so that the successors and assigns of the indemnifying party assume the obligations of the indemnifying party set forth in this Article.

(e) Each of the parties hereto agrees vigorously to defend against any Action in which such party is named as a defendant and that seeks to enjoin, restrain or prohibit the transactions contemplated hereby or seeks damages with respect to such transactions.

(f) If any indemnified Person determines that it is or may be entitled to indemnification by any party under this Article 14 (other than in connection with any Action), the indemnified Person shall promptly deliver to the indemnifying party a written notice specifying, to the extent reasonably practicable, the basis for the indemnified Person's claim for indemnification and the amount for which the indemnified Person reasonably believes it is entitled to be indemnified.

(g) In the event of payment by an indemnifying party to any indemnified Person in connection with any claim, such indemnifying party shall be subrogated to and shall stand in the place of such indemnified Person as to any events, circumstances or Persons in respect of which such indemnified Person may have any right or claim relating to such claim. Such indemnified Person shall cooperate with such indemnifying party in a reasonable manner, and at the cost and expense of such indemnifying party, in prosecuting any subrogated right or claim.

(h) The remedies provided in this Article 14 shall be cumulative and shall not preclude assertion by any indemnified Person of any other rights or the seeking of any and all other remedies against any indemnifying party.

14.6 Contribution. If for any reason the indemnification provided for in -----  
Section 14.1, 14.2 or 14.3 is unavailable to any indemnified Person, or insufficient to hold the indemnified Person harmless, then the indemnifying party shall contribute to the amount paid or payable by that indemnified Person as a result of those Damages in that proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the indemnified Person, on the other hand, respecting those Damages, which relative fault shall be determined by reference to the Business and Group to which the relevant actions, conduct, statements or omissions are primarily related, as well as any other relevant equitable considerations.

ARTICLE 15

GENERAL PROVISIONS

15.1 Intercompany Accounts. Except for any amounts owed by Delta Apparel to -----  
the Delta Woodside Group for yarn sold by the Delta Woodside Group to Delta Apparel, which amounts shall be paid in the ordinary course of business, and except as otherwise provided in this Distribution Agreement (including without limitation Article 2) or any of the other Distribution Documents, all intercompany receivable, payable and loan balances existing as of the Effective Time between any member of any Group and any member of any other Group will be deemed to have been paid in full by the party or parties owing any such obligation on and as of the Effective Time.

15.2 Existing Arrangements. Except for the Distribution Documents and -----  
except as otherwise contemplated by any Distribution Document, all prior executory agreements and arrangements, including those relating to goods, rights or services provided or licensed, between any member(s) of any Group and any member(s) of any other Group shall be terminated effective as of the Effective Time, if not previously terminated. No such agreements or arrangements shall be in effect after the Effective Time unless embodied in the Distribution Documents.

15.3 Intellectual Property Rights and Licenses. No Group shall have any -----  
right or license in or to any technology, software, intellectual property (including, without limitation, any trademark, service mark, patent or copyright), know-how or other proprietary right owned, licensed or used by any other Group.

15.4 Further Assurances and Consents. In addition to the actions -----  
specifically provided for elsewhere in this Distribution Agreement and the other Distribution Documents, each of the parties to this Distribution Agreement shall use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements or otherwise to consummate and make effective the transactions contemplated by this Distribution Agreement and the other Distribution Documents, including, but not limited to, using all commercially reasonable efforts to obtain any Consents and approvals and to make any filings and applications necessary or desirable in order to consummate the transactions contemplated by this Distribution Agreement and the other Distribution Documents; provided that no party to this

Distribution Agreement shall be obligated to pay any consideration for any consent or approval (except for filing fees and other similar charges) to any third party from whom a consent or approval is requested or to take any action or omit to take any action if the taking of or the omission to take that action would be unreasonably burdensome to that party, its Group or its Group's business.

15.5 Notices. All notices or other communications under this Distribution Agreement shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by telecopy (with confirmation of receipt), or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

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If to Delta Woodside:

Delta Woodside Industries, Inc.  
233 North Main Street  
Greenville, South Carolina 29601  
Attention: President  
Telecopy No.: (864) 232-6164

If to Duck Head:

Duck Head Apparel Company, Inc.  
1020 Barrow Industrial Parkway  
P.O. Box 688  
Winder, Georgia 30680  
Attention: President  
Telecopy No.: (770) 867-3111

If to Delta Apparel:

Delta Apparel, Inc.  
3355 Breckinridge Blvd.  
Suite 100  
Duluth, Georgia 30096  
Attention: President  
Telecopy No.: (770) 806-6800

or to such other address as any party may have furnished to the other parties in writing in accordance with this Section.

15.6 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Distribution Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, each party shall be entitled, without posting any bond, to an injunction or injunctions to prevent breaches of this Distribution Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which it is entitled under this Distribution Agreement, at law or in equity.

15.7 Entire Agreement. This Distribution Agreement (together with the Distribution Documents and the other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

15.8 Assignments; Parties in Interest. Prior to the Effective Time, neither this Distribution Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the

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parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding and succeeding sentences, this Distribution Agreement shall be binding upon and inure solely to the benefit of each of the parties hereto and their respective successors and



assigns. Nothing in this Distribution Agreement, express or implied, is intended to or shall confer upon any Person not a party hereto any right, benefit or remedy of any nature whatsoever under or by reason of this Distribution Agreement, including to confer third party beneficiary rights, except as specifically set forth in Article 14 in respect of any indemnified Person and except for the provisions of Section 3.5.

15.9 Governing Law. This Distribution Agreement shall be governed in all respects by the laws of the State of South Carolina (without giving effect to the provisions thereof relating to conflicts of law).

15.10 Headings; Disclosure. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Distribution Agreement. Any disclosure by Delta Woodside, Duck Head or Delta Apparel in any portion of its respective disclosure schedule shall be deemed disclosure in each other portion of such disclosure schedule.

15.11 Expenses. Except as specifically provided otherwise in any of the Distribution Documents, whether or not the Distribution is consummated, all costs and expenses incurred in connection with the preparation, execution and delivery of the Distribution Documents and the consummation of the transactions contemplated hereby and thereby (including, without limitation, (x) the fees and expenses of all counsel, accountants and financial and other advisors of all Groups in connection therewith, and all expenses in connection with preparing, filing and printing the Disclosure Documents and (y) any fees and expenses incurred to repay any indebtedness, but not to incur any indebtedness (which shall be paid by the party incurring such indebtedness)) shall be paid by Delta Woodside, Duck Head and Delta Apparel proportionately in accordance with the respective benefits received by Delta Woodside, Duck Head and Delta Apparel as determined in good faith by the parties; provided that the holders of the Delta Woodside Shares shall pay their own expenses, if any, incurred in connection with the Distribution.

15.12 Tax Sharing Agreement; Certain Transfer Taxes.

(a) Except to the extent that a provision of this Distribution Agreement expressly indicates otherwise, this Distribution Agreement shall not govern any Tax matters, and any and all Liabilities relating to Taxes shall be governed exclusively by the Tax Sharing Agreement.

(b) Notwithstanding the Tax Sharing Agreement, all transfer, documentary, sales, use, stamp and registration taxes and fees (including filing fees and any penalties and interest) incurred in connection with any of the transactions described in this Distribution Agreement (including without limitation the Intercompany Reorganization) shall be borne and paid by Delta Woodside, Duck Head and Delta Apparel proportionately in accordance with the respective benefits received

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by Delta Woodside, Duck Head and Delta Apparel as determined in good faith by the parties. The party or parties that is or are required by applicable law to file any Return (as defined in the Tax Sharing Agreement) or make any payment with respect to any of those taxes shall do so, and the other party or parties shall cooperate with respect to that filing or payment as necessary. The non-paying party or parties shall promptly reimburse the paying party in accordance with this Section 15.12, as appropriate, after it or they receive(s) notice of the payment of those taxes.

15.13 Jurisdiction. Any Action seeking to enforce any provision of, or based on any matter arising out of or in connection with, any of the Distribution Documents or any of the transactions contemplated by any of the Distribution Documents shall be brought exclusively in the United States District Court for the District of South Carolina or any South Carolina State court sitting in Greenville County, and each of the parties hereby consents to the exclusive jurisdiction of those courts (and of the appropriate appellate courts therefrom) in any such Action and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such Action in any of those courts or that any such

Action that is brought in any of those courts has been brought in an inconvenient forum. Process in any such Action may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on that party as provided in Section 15.5 shall be deemed effective service of process on that party.

15.14 Counterparts. This Distribution Agreement may be executed in two or -----  
more counterparts which together shall constitute a single agreement.

15.15 Severability. If any provision of this Distribution Agreement is -----  
invalid, illegal or incapable of being enforced by any rule of law or public policy, all other provisions of this Distribution Agreement shall nevertheless remain in full force and effect so long as the economics or legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. Upon determination that any term or other provision hereof is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Distribution Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

IN WITNESS WHEREOF, Delta Woodside, Duck Head and Delta Apparel have caused this Distribution Agreement to be signed by their respective officers thereunto duly authorized all as of the date first written above.

DELTA WOODSIDE INDUSTRIES, INC.

By /s/  
-----  
Title:

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DH APPAREL COMPANY, INC.

By /s/  
-----  
Title:

DELTA APPAREL, INC.

By /s/  
-----  
Title:

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DELTA APPAREL, INC.  
BOARD OF DIRECTORS  
RESOLUTIONS RESPECTING  
AMENDMENT OF BYLAWS

-----

The Board of Directors (the "Board") of Delta Apparel, Inc., a Georgia corporation (the "Company"), does hereby adopt the following resolutions of the Board:

WHEREAS, the Board believes that it is in the best interest of the Company and its shareholders to amend the Company's bylaws (the "Bylaws") to provide an orderly method for the submission of shareholder proposals to the Company's annual meeting of shareholders and an orderly method for the submission of any proposals to special meetings of the Company's shareholders so that the Company's shareholders may make informed and carefully-considered decisions as to whether to adopt or reject such proposals;

NOW THEREFORE, the Board hereby adopts the following resolutions:

RESOLVED, that Section 2.2 of the Bylaws is hereby amended by adding the following sentence to the end of such Section 2.2:

Only such business shall be conducted at a special shareholder meeting as shall have been brought before such meeting pursuant to the Corporation's notice of meeting given in accordance with Section 2.3.

RESOLVED, that the Bylaws are hereby amended by adding the following Section 2.14:

2.14 Procedures for Submission of Shareholder Proposals at Annual Meeting.

(a) At any annual meeting of the shareholders of the Corporation, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the board of directors or (ii) by any shareholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the procedures set forth in this Section 2.14.

(b) For business properly to be brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation and such business must otherwise be a proper matter for shareholder action.

(1) To be timely, a shareholder's notice must be personally delivered to or mailed, postage prepaid, and received at the principal executive offices of the Corporation not later than 120 days prior to the

first anniversary date of the immediately preceding annual meeting or not later than 10 days after notice or public disclosure of the date of the annual meeting shall be given or made to stockholders, whichever date shall be earlier.

(2) To be in proper written form, a shareholder's notice to the Secretary shall set forth in writing as to each matter the shareholder proposes to bring before the annual meeting:

(i) a description of such item of business, the reasons for conducting it at such meeting and, in the event that such item of business shall include a proposal to amend either the Articles of Incorporation or these Bylaws, the text of the proposed amendment;

(ii) the name and address of the shareholder proposing such item of business, as they appear on the Corporation's books, and the beneficial owner, if any, on whose behalf the proposal is made;

(iii) the class and number of shares held of record, beneficially owned and represented by proxy by such shareholder as of the record date for the meeting (if such a date has been established) and as of the date of such notice, the name in which those shares are registered and a representation that the shareholder intends to appear in person

or by proxy at the meeting to propose such item of business;

(iv) any material interest of the shareholder in such item of business;

(v) a description of all arrangements and understandings between the shareholder and any other person or persons (naming such person or persons) pursuant to which the proposal is made by the shareholder; and

(vi) such other information as the Corporation shall reasonably request.

(c) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2.14. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 2.14, and, if he should so determine, he shall so declare to the

meeting, and any such business not properly brought before the meeting shall not be transacted.

(d) Notwithstanding the foregoing provisions of this Section 2.14, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.14.

RESOLVED, that the Company shall cause to be performed all such acts as shall be necessary or advisable in order to accomplish the purposes of these resolutions.

RESOLVED, that the officers of the Company, be, and they hereby are, each authorized, empowered and directed, on behalf of and in the name of the Company, to do and perform all such acts and things, and to execute, deliver and/or file all such instruments, agreements and other documents (including without limitation any notices of the amendment of the Bylaws provided herein required to be filed by applicable law or rules with any governmental or regulatory agency and any stock market, stock exchange or other self regulatory organization on which the Company's securities are listed or proposed to be listed) as they or such officer may deem necessary or desirable to carry into effect the purposes and intent of the foregoing resolutions, and to perform all acts necessary or advisable in order to perform the Company's obligations under, and to consummate the transactions contemplated by, any such executed document; and the execution and/or filing of each such instrument, agreement and document shall constitute conclusive evidence of the Board's approval thereof.

RESOLVED, that each act consistent with the purposes of these resolutions performed prior to the execution of these resolutions by any officer of the Company is hereby ratified.

RESOLVED, that the Secretary or any Assistant Secretary of the Company is authorized to make such corrective or minor modifications or additions to the foregoing resolutions as shall be deemed necessary or appropriate, so long as the resolutions, as so modified or supplemented, effect the intent and purposes of these resolutions.

RESOLVED, that these resolutions supersede any prior resolutions of this Board, if any, that are inconsistent with these resolutions.

Adopted January 20th, 2000.

DELTA APPAREL, INC.  
BOARD OF DIRECTORS  
RESOLUTIONS RESPECTING  
AMENDMENT OF BYLAWS

-----

The Board of Directors (the "Board") of Delta Apparel, Inc., a Georgia corporation (the "Company"), does hereby adopt the following resolutions of the Board:

WHEREAS, the Board believes that it is in the best interest of the Company and its shareholders to amend the Company's bylaws (the "Bylaws") to provide that the Company's Chairman of the Board or Chief Executive Officer, as well as the Company's President or any Vice President, may sign certificates for the Company's stock;

NOW THEREFORE, the Board hereby adopts the following resolutions:

RESOLVED, that Section 7.2 of the Bylaws is hereby amended by adding the phrase "the Chairman of the Board, the Chief Executive Officer," to such Section 7.2 immediately before the phrase "the President or a Vice President."

RESOLVED, that the Company shall cause to be performed all such acts as shall be necessary or advisable in order to accomplish the purposes of these resolutions.

RESOLVED, that the officers of the Company, be, and they hereby are, each authorized, empowered and directed, on behalf of and in the name of the Company, to do and perform all such acts and things, and to execute, deliver and/or file all such instruments, agreements and other documents (including without limitation any notices of the amendment of the Bylaws provided herein required to be filed by applicable law or rules with any governmental or regulatory agency and any stock market, stock exchange or other self regulatory organization on which the Company's securities are listed or proposed to be listed) as they or such officer may deem necessary or desirable to carry into effect the purposes and intent of the foregoing resolutions, and to perform all acts necessary or advisable in order to perform the Company's obligations under, and to consummate the transactions contemplated by, any such executed document; and the execution and/or filing of each such instrument, agreement and document shall constitute conclusive evidence of the Board's approval thereof.

RESOLVED, that each act consistent with the purposes of these resolutions performed prior to the execution of these resolutions by any officer of the Company is hereby ratified.

RESOLVED, that the Secretary or any Assistant Secretary of the Company is authorized to make such corrective or minor modifications or additions to the foregoing resolutions as shall be deemed necessary or appropriate, so long as the resolutions, as so modified or supplemented, effect the intent and purposes of these resolutions.

RESOLVED, that these resolutions supersede any prior resolutions of this Board, if any, that are inconsistent with these resolutions.

Adopted February 17th, 2000.

DELTA APPAREL, INC.

and

FIRST UNION NATIONAL BANK,  
as Rights Agent

SHAREHOLDER RIGHTS AGREEMENT  
January 27, 2000

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SHAREHOLDER RIGHTS AGREEMENT

Shareholder Rights Agreement (as the same may from time to time be amended or supplemented, this "Agreement"), dated as of January 27, 2000, between Delta Apparel, Inc., a Georgia corporation (the "Company"), and First Union National Bank, a national bank, (the "Rights Agent", which term shall include any successor Rights Agent hereunder).

W I T N E S S E T H

WHEREAS, on January 20, 2000 the Board of Directors of the Company authorized and declared a dividend distribution of one Right (as hereinafter defined) for each whole share of Common Stock, \$0.01 par value per share, of the Company (the "Common Stock") outstanding as of the Close of Business on January 20, 2000 (the "Record Date") and authorized the issuance of one Right for each whole share of Common Stock of the Company which is issued or which becomes outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined), each Right initially representing the right to purchase one quarter of a share of Common Stock, upon the terms and conditions set forth herein (the "Rights");

WHEREAS, First Union National Bank has agreed to serve as Rights Agent;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall on any date hereafter, be the Beneficial Owner of 20% or more of the shares of Common Stock then outstanding, but shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit plan of the Company or any of its Subsidiaries or (iv) any entity or Person holding shares of Common Stock for or pursuant to the terms of any such plan if such entity or Person is not a beneficiary of or participant in such plan. The Persons described in clauses (i) through (iv) above are referred to herein as "Exempt Persons." Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person (together with all Affiliates and Associates of such Person) to 20% or more of the Common Stock of the Company then outstanding; provided, however, that if any Person, (together with all Affiliates and Associates of such Person, (other than Exempt Persons) shall become the Beneficial Owner of 20% or more of the Common Stock of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any

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additional shares of Common Stock of the Company, then such Person shall be deemed to be an "Acquiring Person."

(b) "Adjustment Event" shall mean any Section 11(a)(ii) Event or any Section 13 Event.

(c) "Adjustment Shares" shall have the meaning set forth in Section 11(a)(ii).

(d) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement; provided, however, that no Exempt Person shall be deemed an Affiliate or an Associate.

(e) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates, beneficially own, directly or indirectly (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement) or has the right to dispose of;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has (A) the right to acquire (whether such right is exercisable immediately or after the passage of time) pursuant to any agreement, arrangement or understanding, upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own" (1) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; (2) securities issuable upon exercise of Rights at any time prior to the occurrence of an Adjustment Event; or (3) securities issuable upon exercise of Rights from and after the occurrence of an Adjustment Event, if such Rights were acquired by such Person or such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 or pursuant to Section 11(a)(i) in connection with an adjustment made with respect to any of the Rights heretofore specified in this clause (3); or (B) the right to vote pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this clause (B) if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy given to such Person or any of such Person's Affiliates or Associates in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act, or (2) is made in connection with, or is to otherwise participate in, a proxy or consent solicitation made or to be made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act, in the case of either clause (1) or (2) of this proviso whether or not such agreement, arrangement or

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understanding is also then reportable by such person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in clause (B) of Section 1(e)(ii) hereof) or disposing of any securities of the Company; provided, however, that (1) no Person engaged in business as an underwriter of securities shall be deemed the Beneficial Owner of any securities acquired through such Person's participation as an underwriter or selling group member in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition; (2) no Person who is a director or an officer of the Company shall be deemed the Beneficial Owner of any securities of the Company that are beneficially owned by any other director or officer of the Company solely as a result of his or her position as director or officer of the Company; (3) any agreement, arrangement or understanding (whether or not in writing), or any communication or discussion, among two or more Persons with respect to any matter relating to the management, operation or conduct of the business of the Company, including any discussion or agreement on, or any communication with respect to, a position with respect to any such matter and the disclosure of such communication, discussion, agreement or position to other Persons (including shareholders of the Company) or to the Company shall not constitute an agreement, arrangement or understanding contemplated by Section 1(e)(ii)(B).

(f) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of Georgia are authorized or obligated by law or executive order to close.



(g) "Close of Business" on any given date shall mean 5:00 P.M., Eastern time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Eastern time, on the next succeeding Business Day.

(h) "Common Stock" shall mean the Common Stock, \$0.01 par value per share, of the Company, except that "common stock" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such Person, or the equity securities or other equity interest having power to control or direct the management, of such person or, if such Person is a subsidiary of another Person, the Person which ultimately controls such first-mentioned Person and which has issued and outstanding such capital stock, equity securities or equity interests.

(i) "Current Per Share Market Price" shall have the meaning set forth in Section 11(d).

(j) "Current Value" shall have the meaning set forth in Section 11(a)(iii).

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(k) "Disinterested Director" shall mean (i) any member of the Company's Board of Directors who is unaffiliated with an Acquiring Person, or an Affiliate or Associate of any such Person and was a member of the Company's Board of Directors prior to the time that an Acquiring Person became such, and any successor of a Disinterested Director who is unaffiliated with an Acquiring Person, or any Affiliate or Associate of any such Person and is recommended to succeed a Disinterested Director by a majority of the Disinterested Directors then on the Company's Board of Directors.

(l) "Distribution Date" shall have the meaning defined in Section 3(a) hereof.

(m) "Equivalent Common Stock" shall have the meaning set forth in Section 11(a)(iii) hereof.

(n) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(o) "Exchange Rate" shall have the meaning set forth in Section 24(a) hereof

(p) "Exercise Price" shall have the meaning set forth in Section 4 hereof.

(q) "Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(r) "Group" shall mean two or more Persons acting as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of the Common Stock.

(s) "Person" shall mean any individual, firm, corporation, partnership or other entity or Group, and shall include any successor (by merger or otherwise) thereof; provided, however, that when two or more Persons act as a partnership, limited partnership, syndicate or other Group for the purpose of acquiring, holding disposing of the Common Stock, such partnership, limited partnership, syndicate or other Group shall be deemed to be a single Person.

(t) "Principal Party" shall have the meaning set forth in Section 13(b) hereof.

(u) "Record Date" shall have the meaning set forth in the recital clause of this Agreement.

(v) "Redemption Date" shall have the meaning set forth in Section 7(a).

(w) "Rights" shall have the meaning set forth in the recital clause of this Agreement.

(x) "Right Certificate" shall have the meaning set forth in Section 3(a).

(y) "Section 11(a)(ii) Adjustment Date" shall have the meaning set forth in Section 11(a)(iii) hereof.

(z) "Section 11(a)(ii) Event" shall mean any event described in Section 11(a)(ii)(A), (B), or (C) hereof.

(aa) "Section 13 Event" shall mean any event described in clauses (x), (y) or (z) of Section 13(a) hereof.

(bb) "Share Acquisition Date" shall mean the first date on which there shall be a public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(cc) "Spread" shall have the meaning set forth in Section 11(a)(iii) hereof.

(dd) "Subsidiary" of any Person shall mean any other corporation or other entity of which a majority of the voting equity securities or voting interests is owned, directly or indirectly, by such Person, or which is otherwise controlled by such Person.

(ee) "Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.

(ff) "Summary of Rights" shall have the meaning set forth in Section 3(b).

(gg) "Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Stock) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable, upon ten (10) days' prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise and shall in no event be liable for, the acts or omissions of any such co-Rights Agent. In the event the Company appoints one or more co-Rights Agents, the respective duties of the Rights Agent and any co-Rights Agents shall be as the Company shall determine.

### Section 3. Issue of Right Certificates

(a) Until the earlier of (i) the Close of Business on the 10th calendar day after the Share Acquisition Date, (ii) the Close of Business on the 10th Business Day (or such later date as may be determined by action of the Board of Directors of the Company prior to such time as any Person shall become an Acquiring Person) after the date of (x) the commencement, by any Person, other than an Exempt Person, of, or (y) the first public announcement of the intention of any Person

(other than an Exempt Person) to commence, a tender or exchange offer if, upon consummation thereof, such Person would be an Acquiring Person, including any such date which is after the date of this Agreement and prior to the issuance of the Rights (the earliest of such dates being herein referred to as the "Distribution Date"), the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall be deemed also to be certificates for Rights) and not by separate certificates, and the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock. The Board of Directors of the Company may defer the date set forth in clause (ii) in the preceding sentence to a specified later date or to an unspecified later date to be determined, with the concurrence of a majority of the Disinterested Directors, by action of the Directors of the Company. As soon as practicable after the Company has notified the Rights Agent of the occurrence of the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, to each record holder of the Common Stock as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more certificates, in substantially the form attached hereto as Exhibit A (the "Right

Certificates"), evidencing one Right for each share of Common Stock so held, subject to adjustment as provided herein. As of and after the Close of Business on the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or thereafter, the Company will send a notification of the existence of the Rights, by postage prepaid mail, to each record holder of the Common Stock as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for the Common Stock outstanding as of the Record Date, until the Distribution Date or the earlier of the Redemption Date or the Final Expiration Date, the Rights will be evidenced by such certificates for the Common Stock with or without a copy of the Summary of Rights in the form attached hereto as Exhibit B (the "Summary of Rights") attached thereto, and the registered holders of the Common Stock shall also be the registered holders of the associated Rights. Until the Distribution Date (or earlier redemption, expiration or termination of the Rights), the transfer of any of the certificates for the Common Stock outstanding on the Record Date, even without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

(c) Certificates for the Common Stock issued after the Record Date, but prior to the earlier of the Distribution Date, the Redemption Date or the Final Expiration Date, shall be deemed also to be certificates for Rights, and shall bear the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Shareholder Rights Agreement between Delta Apparel, Inc. and First Union National Bank, as Rights Agent, dated as of January 27, 2000 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of Delta Apparel, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Delta Apparel, Inc. will mail to the holder of this certificate

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a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances, Rights issued to Acquiring Persons or any Affiliates or Associates thereof (as defined in the Rights Agreement) and any subsequent holder of such Rights may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date or the earlier of the Redemption Date or the Final Expiration Date, the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates. In the event that the Company purchases or acquires any shares of Common Stock after the Record Date but prior to the Distribution Date, any Rights associated with such Common Stock shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the shares of Common Stock which are no longer outstanding.

#### Section 4. Form of Right Certificates.

(a) The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall each be substantially in the form of Exhibit A hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law, rule or regulation or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Right Certificates, whenever distributed, shall be dated as of the Record Date, and on their face shall entitle the holders thereof to Purchase such number of shares of Common Stock as shall be set forth therein at the price set forth therein (the "Exercise Price"), but the number of such shares and the Exercise Price shall be subject to adjustment as provided herein.

(b) Any Right Certificate issued pursuant to Section 3(a) or Section 22

hereof that represents Rights beneficially owned by (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person (or of such Affiliate or Associate) to holders of equity interests in such Acquiring Person (or of such Affiliate or Associate) or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights, or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of Section 11 hereof, and any Right Certificate issued pursuant to Section 6 or Section 11 upon transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall contain the following legend:

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The Rights represented by this Right Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). This Right Certificate and the Rights represented hereby may become null and void under certain circumstances as specified in Section 11 of the Rights Agreement.

The Company shall give notice to the Rights Agent promptly after it becomes aware of the existence and identity of any Acquiring Person or any Associate or Affiliate thereof.

#### Section 5. Countersignature and Registration.

(a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or any Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered by the Company with the same force and effect as though the Person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificates may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such Person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at one of its offices designated as the appropriate place for surrender of Right Certificates upon exercise or transfer, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

#### Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates.

(a) Subject to the provisions of Section 4(b), Section 11, Section 14 and Section 24 hereof, at any time after the Close of Business on the Distribution Date, and at, or prior to, the Close of Business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Certificates, entitling the registered holder to purchase a like number of shares of Common Stock (or following an Adjustment Event, other securities, cash or other assets as the case may be) as the Right Certificate or Certificates surrendered then entitled such holder to purchase. Any registered

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holder desiring to transfer, split up, combine or exchange any Right Certificate shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Certificates to be transferred, split up, combined or exchanged, with the form of assignment and certificate duly executed, at the office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 11 and Section 14 hereof, countersign and deliver to the Person entitled thereto a Right Certificate or Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will execute and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Exercise Price; Final Expiration Date of Rights.

(a) Subject to Section 11(a)(ii) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein, including, without limitation, the restrictions on exercisability set forth in Section 9, Section 11(a)(iii) and Section 23(a)), in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate set forth on the reverse side thereof completed and duly executed, to the Rights Agent at the office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Exercise Price for the total number of shares of Common Stock (or other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercised, at or prior to the earlier of (i) the Close of Business on January 20, 2010 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date") or (iii) the time which such Rights are exchanged as provided in Section 24. Except as set forth in Section 11(a) hereof and notwithstanding any other provision of this Agreement, any Person who prior to the Distribution Date becomes a record holder of shares of Common Stock may exercise all of the rights of a registered holder of a Right Certificate with respect to the Rights associated with such shares of Common Stock in accordance with the provisions of this Agreement, as of the date such Person becomes a record holder of shares of Common Stock.

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(b) The Exercise Price for each quarter share of Common Stock pursuant to the exercise of a Right shall initially be \$20.00 (equivalent to \$80.00 for each share of Common Stock), shall be subject to adjustment from time to time provided in Section 11 and Section 13 hereof, and shall be payable in lawful money of the United States of America in accordance with Section 7(c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate set forth on the reverse side thereof completed and duly executed, accompanied by payment of the Exercise Price for the shares (or, following an Adjustment Event, other securities, cash or other assets, as the case may be) to be purchased and an amount equal to any applicable transfer tax (as determined by the Rights Agent) in cash, or by certified check or bank draft payable to the order of the Company, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i)(A) requisition from any transfer agent of the shares of Common Stock (or make available, if the Rights Agent is the transfer agent therefor)

certificates for the number of shares of Common Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of shares of Common Stock issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of shares of Common Stock as are to be purchased (in which case certificates for the shares of Common Stock represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company will direct the depository agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash, if any, to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) promptly after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt promptly deliver such cash to or upon the order of the registered holder of such Right Certificate. In the event that the Company is obligated to issue other securities of the Company, pay cash or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash or other property are available for distribution by the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of Rights upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise, and

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(ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

#### Section 9. Reservation and Availability of Common Stock.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Common Stock (and, following the occurrence of an Adjustment Event, other securities or out of its authorized and issued shares held in its treasury) the number of shares of Common Stock (and, following the occurrence of an Adjustment Event, other securities) that, as provided in this Agreement will be sufficient to permit the exercise in full of all outstanding Rights; provided, that such action need not be taken with respect to shares of Common Stock (or other securities) issuable upon occurrence of an Adjustment Event until the occurrence of such event.

(b) If at the time the Rights become exercisable, the then outstanding shares of Common Stock are listed on any national or regional securities exchange or are quoted on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or any successor thereto or other comparable quotation system, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares of Common

Stock (and, following the occurrence of an Adjustment Event, other securities) reserved for issuance upon such exercise to be quoted on such system or listed on such exchange, as the case may be.

(c) The Company shall use its best efforts to (i) file, as soon as practicable following the earliest date after the occurrence of a Section 11(a)(ii) Event as of which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with this Agreement, or as soon as required by law following the Distribution Date, as the case may be, a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Stock or other securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus that at all times meets the requirements of the Securities Act) until the earlier of (A) the date as of

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which the Rights are no longer exercisable for such securities, and (B) the date of the expiration of the Rights. The Company will also take such action as may be appropriate under, and which will ensure compliance with, the securities or blue sky laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend for a period of time not to exceed ninety (90) days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any such provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction unless the requisite qualification in such jurisdiction shall have been obtained.

(d) The Company covenants and agrees that it will take all such action as may be reasonably necessary to ensure that all shares of Common Stock (and, following the occurrence of an Adjustment Event, other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Exercise Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that, subject to Section 6, it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any certificates for shares of Common Stock (or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or in respect of the issuance or delivery of securities in a name other than that of, the registered holder of the Right Certificates evidencing Rights surrendered for exercise or to issue or deliver any certificates for securities in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Common Stock Record Date. Each Person in whose name any certificate for Common Stock is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares of Common Stock represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Exercise Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Stock transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Stock transfer books of the Company are open. Prior to the exercise of the Right evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a shareholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to

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exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Exercise Price, Number and Kind of Shares or Number of Rights. The Exercise Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a)(i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Common Stock payable in shares of Common Stock, (B) subdivide the outstanding Common Stock, (C) combine the outstanding Common Stock into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), then, except as otherwise provided in this Section 11(a), the Exercise Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Common Stock or capital stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of Common Stock or capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Common Stock (or other capital stock, as the case may be) transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of the Company issuable upon the exercise thereof. If an event occurs which would require an adjustment under both Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

(ii) Subject to Section 24, in the event

(A) any Acquiring Person or any Associate or Affiliate of any Acquiring Person, at any time after the date of this Agreement, directly or indirectly, (1) shall merge into the Company or otherwise combine with the Company and the Company shall be the continuing or surviving corporation of such merger or combination and the Common Stock of the Company shall remain outstanding and not changed into or exchanged for stock or other securities of any other Person or the Company or cash or any other property, (2) shall, in one or more transactions, transfer any assets to the Company in exchange (in whole or in part) for shares of any equity security of the Company or any of its Subsidiaries or for securities exercisable for or convertible into shares of any equity security of the Company or any of its Subsidiaries or otherwise obtain from the Company, with or without consideration, any additional shares of any equity security of the Company or securities exercisable for or convertible into shares of any equity security of the Company or any of its Subsidiaries (other than as part of a pro rata distribution to all holders of Common Stock), (3) shall sell, purchase, lease, exchange, mortgage, pledge, transfer or otherwise dispose (in one or more

transactions), to, from or with, as the case may be, the Company or any of its Subsidiaries, assets on terms and conditions less favorable to the Company than the Company would be able to obtain in arm's-length negotiation with an unaffiliated third Person, (4) shall engage in any transaction with the Company involving the sale, purchase, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), other than incidental to the lines of business currently engaged in as of the date hereof by the Company and such Acquiring Person, or Associate or Affiliate, of assets having an aggregate fair market value of more than \$5,000,000, (5) shall receive any compensation from the Company or any of the Company's Subsidiaries other than compensation for full time employment as a regular employee at rates in accordance with the Company's (or its Subsidiaries') past practices, or (6) shall receive the benefit, directly or indirectly (except proportionately as a shareholder), of any loans other than in the ordinary course of business), advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantage provided by the Company or any of its Subsidiaries, or



(B) any Person (other than an Exempt Person), shall become an Acquiring Person, or

(C) during such time as there is an Acquiring Person, there shall be any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries or any other transaction or series of transactions (whether or not with or into or otherwise involving an Acquiring Person) which has the effect, directly or indirectly, of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities of the Company or any of its Subsidiaries which is directly or indirectly owned by any Acquiring Person or any Associate or Affiliate of any Acquiring Person,

then, and in each such case, proper provision shall be made so that each holder of a Right, except as provided in this paragraph (ii), shall thereafter have a right to receive, upon exercise of such Right at the then current Exercise Price in accordance with the terms of this Agreement, such number of shares of Common Stock of the Company as shall equal the result obtained by (x) multiplying the then current Exercise Price by the then number of one quarter shares of Common Stock for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event and (y) dividing that product (which, following such first occurrence, shall thereafter be referred to as the "Exercise Price" for each Right and for all purposes of this Agreement) by 50% of the Current Per Share Market Price of the Common Stock (determined pursuant to Section 11(d)) on the date of the occurrence of any one of the events listed above in this Section 11(a)(ii) (such number of shares is herein called the "Adjustment Shares"); provided, however, that if the transaction that would otherwise give rise to the foregoing adjustment is also subject to the provisions of Section 13 hereof, then only the provisions of Section 13 shall apply and no adjustment shall be made pursuant to this Section 11(a)(ii). The Company shall not enter into any transaction of the kind listed in this Section 11(a)(ii) if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which as a result of the consummation of such

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transaction, would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights, or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 11(a), shall become null and void without any further action and no holder or beneficial owner of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to ensure that the provisions of this Section 11(a) and Section 4(b) hereof are complied with, but shall have no liability to any holder or beneficial owner of Right Certificates or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or any Affiliates and Associates thereof or any transferee of any of them hereunder.

(iii) In the event that the number of shares of Common Stock which are authorized by the Company's articles of organization but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with Section 11(a)(ii), the Company shall: (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over (2) the Exercise Price (such excess is herein called the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the applicable Exercise Price, (1) cash, (2) a reduction in the Exercise Price, (3) Common Stock or other equity

securities of the Company (including, without limitation, shares, or units of shares, of preferred stock which the Board has deemed to have the same value as shares of Common Stock (such shares or units of shares of preferred stock are herein called "Equivalent Common Stock")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board based upon the advice of a competent investment banking firm selected by the Board; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of a Section 11(a)(ii) Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the "Section 11(a)(ii) Adjustment Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Exercise Price, shares of Common Stock (to the extent available) and then, if necessary, cash, which shares or cash have an aggregate value equal to the Spread. If the Board shall

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determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Adjustment Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such thirty (30) day period, as it may be extended, is herein called the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the first or second sentence of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 11(a)(ii) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek an authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For the purpose of this Section 11(a)(iii), the value of Adjustment Shares shall be the Current Per Share Market Price of the Common Stock on the Section 11(a)(ii) Adjustment Date, and the per share or per unit value of any Equivalent Common Stock shall be deemed to equal the Current Per Share Market Price of the Common Stock on such date.

(b) If the Company shall fix a record date for the issuance of rights (other than the Rights), options or warrants to all holders of Common Stock entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Stock or Equivalent Common Stock or securities convertible into Common Stock or Equivalent Common Stock at a price per share of Common Stock or per share of Equivalent Common Stock (or having a conversion price per share, if a security convertible into Common Stock or Equivalent Common Stock) less than the Current Per Share Market Price (as determined pursuant to Section 11(d) hereof) of the Common Stock on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date, plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock or Equivalent Common Stock to be offered (and the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Per Share Market Price and the denominator of which shall be the number of shares of Common Stock outstanding on such record date, plus the number of additional shares of Common Stock or Equivalent Common Stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of the Company issuable upon the exercise thereof. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be the Current Per Share Market Price thereof determined in accordance with Section 11(d) hereof. Shares of Common Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such rights or

warrants are not so issued, the Exercise Price shall be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed.

(c) If the Company shall fix a record date for the making of a distribution to all holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Common Stock, but including any dividend payable in stock other than Common Stock) or options, subscription rights or warrants (excluding those referred to in Section 11(b)), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Per Share Market Price (as determined pursuant to Section 11(d) hereof) of Common Stock on such record date, less the Current Per Share Market Price (as determined pursuant to Section 11(d) hereof) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such options, subscription rights or warrants applicable to one share of Common Stock and the denominator of which shall be the Current Per Share Market Price (as determined pursuant to Section 11(d) hereof) per one share of Common Stock; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of the Company issuable upon the exercise thereof. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Exercise Price shall again be adjusted to be the Exercise Price which would be in effect if such record date had not been fixed.

(d) For the purpose of this Agreement, the "Current Per Share Market Price" of any share of Common Stock or any other stock or any Right or other security or any other property shall be determined as provided in this Section 11(d).

(i) In the case of a publicly-traded stock or other security (hereinafter in this Section 11(d)(i) a "Security"), the Current Per Share Market Price on any date shall be deemed to be the average of the daily closing prices per share of such Security for the thirty (30) consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that for the purpose of computations made pursuant to Section 11(a)(iii) hereof, the Current Per Share Market Price on any date shall be deemed to be the average of the daily closing prices per share of such Security for the ten (10) consecutive Trading Days immediately following such date; and provided further, that in the event that the Current Per Share Market Price of any Security is determined during a period following the announcement by the issuer of such Security of (x) a dividend or distribution on such Security payable in shares of such Security or securities convertible into shares of such Security (other than the Rights) or (y) any subdivision, combination or reclassification of such Security, and prior to the expiration of the requisite thirty (30) Trading Day or ten (10) Trading Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the Current Per Share Market Price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in

case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Securities are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Security is listed or admitted to trading; or, if not listed or admitted to trading on any national securities exchange, the last quoted price (or, if not so quoted, the average of the last quoted high bid and low asked prices) in the over-the-counter market, as reported by NASDAQ or such other system then in use; or, if, on any such date no bids for such Security are quoted by any such organization, the average of the closing

bid and asked prices as furnished by a professional market maker making a market in such Security selected by the Board of Directors of the Company. If on any such date no market maker is making a market in such Security, the Current Per Share Market Price of such Security on such date shall be determined reasonably and with good faith to the holders of the Rights by the Board of Directors of the Company, including, if at the time of such determination there is an Acquiring Person, a majority of the Disinterested Directors then in office, or if there are no Disinterested Directors, by a competent investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. The term "Trading Day" shall mean a day on which the principal national securities exchange on which such Security is listed or admitted to trading is open for the transaction of business or, if such Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) If a Security is not publicly held or not so listed or traded, "Current Per Share Market Price" shall mean the fair value per share of stock or per other unit of such Security, determined reasonably and with utmost good faith to the holders of the Rights by the Board of Directors of the Company, including, if at the time of such determination there is an Acquiring Person, a majority of the Disinterested Directors then in office, or if there are no Disinterested Directors, by a competent investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights.

(iii) In the case of property other than securities, the Current Per Share Market Price thereof shall be determined reasonably and with utmost good faith to the holders of Rights by the Board of Directors of the Company, including, if at the time of such determination there is an Acquiring Person, a majority of the Disinterested Directors then in office, or if there are no Disinterested Directors, by a competent investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be binding upon the Rights Agent and the holders of the Rights.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this Section 11(e)

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are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section shall be made no later than the earlier of (i) three (3) years from the date of the transaction which mandates such adjustment or (ii) the Final Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Common Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Exercise Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Section 11(a) through (c), (e), (g) through (k), and (m), inclusive, and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Common Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of shares (or fractions thereof) of Common Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Exercise Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of shares of Common Stock

(calculated to the nearest one ten-thousandth) obtained by (i) multiplying (x) the number of shares covered by a Right immediately prior to this adjustment by (y) the Exercise Price in effect immediately prior to such adjustment of the Exercise Price, and (ii) dividing the product so obtained by the Exercise Price in effect immediately after such adjustment of the Exercise Price.

(i) The Company may elect on or after the date of any adjustment of the Exercise Price to adjust the number of Rights, in substitution for any adjustment in the number of shares of Common Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of shares of Common Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Exercise Price in effect immediately prior to adjustment of the Exercise Price by the Exercise Price in effect immediately after adjustment of the Exercise Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Exercise Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Right Certificates have been issued,

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upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Exercise Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Exercise Price or the number of shares of Common Stock issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Exercise Price per share and the number of shares which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Exercise Price below the then par value, if any, of the number of shares of Common Stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Exercise Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date the number of shares of Common Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of shares of Common Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Notwithstanding anything in this Section 11 to the contrary, the Company shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Common Stock, issuance wholly for cash of any shares of Common Stock at less than the Current Per Share Market Price, issuance wholly for cash of shares of Common Stock or securities which by

their terms are convertible into or exchangeable for shares of Common Stock, stock dividends or issuance of rights, options or warrants referred to hereinabove in this Section 11, hereafter made by the Company to holders of its Common Stock, shall not be taxable to such shareholders.

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(n) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with, (ii) merge with or into, or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction or a series of related transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries taken as a whole, to any other Person or Persons if (x) at the time of or immediately after such consolidation, merger or sale there are any rights, warrants or other instruments outstanding or agreements or arrangements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights, or (y) prior to, simultaneously with or immediately after such consolidation, merger or sale the shareholders of a Person who constitutes, or would constitute, the "Principal Party" for the purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) The Company covenants and agrees that after the Distribution Date it will not, except as permitted by Section 23 or Section 24 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

Section 12. Certificate of Adjusted Exercise Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 and Section 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Common Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment contained therein and shall not be deemed to have knowledge of any such adjustment unless and until it shall have received such certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power.

(a) In the event that, on or after the Share Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person (other than a Subsidiary of the Company in a transaction which is not prohibited by Section 11(o) hereof), and the Company shall not be the continuing or surviving corporation of such consolidation or merger (y) any Person (other than a Subsidiary of the Company in a transaction which is not prohibited by Section 11(o) hereof) shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the shares of Common Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (z) the Company shall sell, mortgage or otherwise transfer (or one or more of its Subsidiaries shall sell, mortgage or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which is not prohibited by Section 11(o) hereof)

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then, and in each such case, proper provision shall be made so that: (i) each holder of a Right, except as provided otherwise herein, shall have the right to receive, upon the exercise thereof at the then current Exercise Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid and nonassessable shares of freely tradeable Common Stock of the Principal Party (as hereinafter defined in Section 13(b)), free and clear of rights of call or first refusal, liens, encumbrances or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current

Exercise Price by the number of one quarter shares of Common Stock for which a Right is exercisable immediately prior to the first occurrence of a Section 13 Event (or, if a Section 11(a)(ii) Event has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of one quarter shares of Common Stock for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event by the Exercise Price in effect immediately prior to such first occurrence) and dividing that product (which, following the first occurrence of a Section 13 Event, shall be referred to as the "Exercise Price" for each Right and for all purposes of this Agreement) by (2) 50% of the Current Per Share Market Price (determined pursuant to Section 11(d) hereof) of the Common Stock of such Principal Party on the date of consummation of such consolidation, merger, sale or transfer; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply to such Principal Party; and (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock to permit exercise of all outstanding Rights in accordance with this Section 13(a)) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights. The Company shall not enter into any transaction of the kind set forth in this subsection if at the time of the consummation of such transaction there are any options, warrants, rights, conversion or exchange provisions or securities outstanding or any agreements or arrangements in effect which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. If, in the case of a transaction of the kind described in clause (z) of the first sentence of this subsection, the Person or Persons to whom assets or earning power are sold or otherwise transferred are individuals, then the preceding sentences of this subsection shall be inapplicable, and the Company shall require as a condition to such sale or transfer that such Person or Persons pay to each holder of a Rights Certificate, upon its surrender to the Rights Agent and in exchange therefor (without requiring payment by such holder), cash in the amount determined by multiplying the then current Exercise Price by the number of one quarter shares of Common Stock for which a Right is then exercisable.

(b) "Principal Party" shall mean

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which shares of

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Common Stock of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to the merger or consolidation; and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

provided, however, that in any such case, (x) if the Common Stock of such Person is not at such time and has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person; and (y) in case such Person is a Subsidiary, directly or indirectly, or more than one Person, the Common Stocks of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value of shares outstanding.

(c) The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto (x) the Principal Party shall have a sufficient number of authorized shares of its Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13, and (y) the Company and each Principal Party and each other Person who may become a Principal Party as a result of such consolidation,

merger, sale or transfer shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in Section 13(a) and (b) and further providing that, as soon as practicable after the date of any consolidation, merger, sale or transfer of assets mentioned in Section 13(a), the Principal Party at its own expense will

(i) prepare and file a registration statement under the Securities Act with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and use its best efforts to cause such registration statement to remain effective (with a prospectus that at all times meets the requirements of the Securities Act) until the Final Expiration Date;

(ii) use its best efforts to qualify or register the Rights and the securities purchasable upon exercise of the Rights under the blue sky laws of such jurisdictions as may be necessary or appropriate;

(iii) use its best efforts to list (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on a national securities exchange or to meet the eligibility requirements for quotation on NASDAQ; and

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(iv) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all material respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. If any Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

#### Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights, or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there may be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price per Right for the Trading Day immediately prior to such date on which fractional Rights would have been otherwise issuable. The closing price for any Trading Day shall be the last sale price, regular way, or, in case no such sale takes place on such Trading Day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading; or, if not listed or admitted to trading on any national securities exchange, the last quoted price (or, if not so quoted, the average of the last quoted high bid and low asked prices) in the over-the-counter market, as reported by NASDAQ or such other system then in use; or, if, on any such Trading Day no bids for the Rights are quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Rights the current market value of the Rights on such Trading Day shall be determined reasonably and with utmost good faith to the holders of the Rights by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent.

(b) The Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Rights or to distribute certificates which evidence fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount



in cash equal to the same fraction of the current market value per share of Common Stock. For purposes of this Section 14(b), the current market value per share of Common Stock shall be the closing price per share of Common Stock determined pursuant to Section 11(d) hereof for the Trading Day immediately prior to the date of such exercise.

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(c) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement, other than rights of action vested in the Rights Agent pursuant to Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and prior to the Distribution Date, the registered holders of the Common Stock); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Right evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement. Holders of Rights shall be entitled to recover the reasonable costs and expenses, including attorneys' fees, incurred by them in any action to enforce the provisions of this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and with the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, each Right will be transferable only simultaneously and together with the transfer of shares of Common Stock;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office or offices of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer;

(c) subject to Sections 6 and 11, the Company and the Rights Agent may deem and treat the person in whose name a Right Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as the result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or

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permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligations; provided, however, that the Company must use its reasonable best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Right Certificate Holder Not Deemed a Shareholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the shares of Common Stock or any other securities of the Company which may at any time be issuable on the

exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

#### Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent and its directors, officers, employees and agents for, and to hold each of them harmless against any loss, liability, or expense, incurred without gross negligence, recklessness, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent or such other indemnified party in connection with the acceptance and administration of this Agreement or the performance of the Rights Agent's duties hereunder, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement or the performance of the Rights Agent's duties hereunder in reliance upon any Right Certificate or certificate for Common Stock or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons, or in reliance upon the advice of counsel as set forth in Section 20.

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(c) The indemnity provided in this Section 18 shall survive the expiration of the Rights and the termination of the Agreement.

#### Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel selected by it (who may be legal counsel for the Company), and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of Current Per Share Market Price) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be

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conclusively proved and established by a certificate signed by any duly authorized officer of the Company and delivered to the Rights Agent; and such certificate shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own gross negligence, recklessness, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a) hereof) or any adjustment required under the provisions of Sections 3, 11, 13, 23 or 24 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of a certificate describing any such adjustment furnished in accordance with Section 12 hereof), nor shall it be responsible for any determination by the Board of Directors of the Company of current market value of the Rights or Common Stock pursuant to the provisions of Section 14 hereof; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of Common Stock will, when so issued, be validly authorized and issued, fully paid and nonassessable; nor shall it be under any obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more of the registered holders of the Rights Certificates shall furnish the Rights Agent with security and indemnity to its satisfaction for any costs and expenses which may be incurred; nor shall it be liable for any failure to perform any duties except as specifically set forth herein and no implied covenants or obligations shall be read into this Agreement against the Rights Agent, whose duties and obligations shall be determined solely by the express provisions hereof.

(f) The Company agrees that it will inform the Rights Agent promptly upon the Company's determination that a Person has become an Acquiring Person, and the Rights Agent will not be responsible for making such determination or be deemed to have knowledge thereof prior to such notice by the Company. The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other

acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder and certificates delivered pursuant to any provision hereof from any duly authorized officer of the Company, and is authorized to apply to any such officer for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer or for any delay in acting while awaiting instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers vested in it or perform any of its duties hereunder either directly or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorney or agent or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided the Rights Agent was not grossly negligent in the selection or continued employment of such agent.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause (1) or clause (2) thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

(k) Anything in this Agreement to the contrary notwithstanding, in no event shall the Rights Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits).

(l) No provision in this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this agreement upon thirty (30) days' notice in writing mailed to the Company, and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent (with or without cause) upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Right Certificates by

first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the incumbent Rights Agent or the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation or trust company organized and doing business under the laws of the United States or of the State of Georgia (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of Georgia), in good standing, which is authorized under such laws to exercise shareholder services or corporate trust powers and is subject to supervision or examination by federal or state authority or (b) an Affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Exercise Price and the number or kind or class of shares of stock or other securities or property purchasable under the Right Certificates made in accordance with the

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provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities hereafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the person to whom such Right Certificate would be issued, and (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustments shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption.

(a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (x) the Close of Business on the tenth day following the Share Acquisition Date (or, if the Share Acquisition Date shall have occurred prior to the Record Date, the Close of Business on the tenth day following the Record Date), or (y) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of \$.001 per Right, as such amount may be appropriately adjusted, as determined by the Board of Directors, to reflect any transaction of the kind described in clauses (A) through (D) of Section 11(a)(i) occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"); provided, however, that if the Board of Directors of the Company shall authorize the redemption of the Rights in the circumstances set forth in clause (i) or (ii) below, then there must be Disinterested Directors in office and such authorization shall require the concurrence of a majority of such Disinterested Directors: (i) such authorization occurs on or after the date a Person becomes an Acquiring Person

or (ii) such authorization occurs on or after the date of a change (resulting from one or more proxy or consent solicitations) in a majority of the directors in office at the commencement of such solicitation if any Person who is a participant in such solicitation has stated (or, if upon the commencement of such solicitation a majority of the Board of Directors of the Company has determined in good faith) that such Person (or any of its Affiliates or Associates) intends to take, or may consider taking, any action which would result in such person becoming an Acquiring Person or which would cause the occurrence of an Adjustment Event. In considering whether to redeem the Rights, the Board of Directors of the Company may consider the best long-term and short-term interests of the Company, including, without limitation, the effects of the redemption of the Rights upon employees, suppliers and customers of the Company or any Subsidiary of the Company and communities in which offices or other establishments of the Company or any Subsidiary of the Company are located and all other pertinent factors, including without limitation the factors set forth in the Company's Articles of Incorporation as amended from time to time. The redemption of the Rights by the Board of Directors may be effective at such time, on such basis and with such conditions as such Board of Directors in its sole discretion may establish. In addition to the right of redemption reserved in the first sentence of this subsection (a), if there are Disinterested Directors then in office, such Board

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of Directors may redeem, with the concurrence of a majority of such Disinterested Directors, all, but not less than all, of the then outstanding Rights at the Redemption Price after the occurrence of a Share Acquisition Date, but prior to the occurrence of any transaction of the kind described in Section 11(a)(ii)(A) or (C) or Section 13(a), if either (i) a Person who is an Acquiring Person shall have transferred or otherwise disposed of a number of shares of Common Stock in one transaction or series of transactions, not directly or indirectly involving the Company or any of its Subsidiaries and which did not result in the occurrence of any transaction of the kind described in Section 11(a)(ii)(A) or (C) or Section 13(a), as shall result in such Person thereafter being a Beneficial Owner of 10% or less of the outstanding shares of Common Stock of the Company, and after such transfer or other disposition there are no other Acquiring Persons, or (ii) in connection with any transaction of the kind described in Section 11(a)(ii)(A) or Section 13(a) in which all holders of the Common Stock of the Company are treated the same and which shall not involve an Acquiring Person, an Affiliate or Associate of an Acquiring Person, any other Person in which such Acquiring Person, Affiliate or Associate has any interest or any other Person acting, directly or indirectly, on behalf of or in association with such Acquiring Person, Affiliate or Associate. Notwithstanding any other provision of this Agreement, the Rights shall not be exercisable after the first occurrence of an event specified in Section 11(a)(ii) until such time as the Company's right of redemption hereunder has expired.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to the Rights Agent and to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase of value any Rights at any time in any manner other than that specifically set forth in this Section 23, or in connection with the purchase, acquisition or redemption of shares of Common Stock prior to the Distribution Date.

(c) The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the Current Per Share Market Price of the Common Stock as of the time of redemption) or any other form of consideration deemed appropriate by the Board.

Section 24. Exchange.

(a) The Board of Directors of the Company may, at its option, at any time

after any Person shall have become an Acquiring Person, exchange all or any part of the then outstanding and exercisable Rights (which shall not include Rights which have become void pursuant to the

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provisions of Section 11(a)(ii)) for Common Stock of the Company at an exchange rate of one quarter share of Common Stock per Right, appropriately adjusted to reflect any transaction specified in clauses (A) through (D), inclusive, of Section 11(a)(i) occurring after the date hereof (such exchange rate being hereinafter called the "Exchange Rate"); provided, however, that the Board of Directors shall not be empowered to effect such an exchange at any time after any Person (other than an Exempt Person), together with all Affiliates and Associates of such Person, shall have become the Beneficial Owner of 50% or more of the Common Stock of the Company then outstanding.

(b) Immediately after any action by the Board of Directors of the Company directing the exchange of any Rights pursuant to subsection (a) of this Section 24, notice of which shall be filed with the Rights Agent, and without any further action and without any notice, the right to exercise such Rights shall terminate and each registered holder of such Rights shall thereafter be entitled to receive only the number of shares of Common Stock which shall equal the number of Rights held by such registered holder multiplied by the Exchange Rate. The Company shall give prompt public notice of any exchange directed pursuant to such subsection (a); provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such exchange. Within 10 days after action by such Board of Directors directing the exchange of such Rights, the Company shall mail a notice of exchange to all registered holders of such Rights at their last addresses appearing upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not received by the registered holder to whom sent; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of any such exchange. Each such notice shall state the method by which the exchange of Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata among the registered holders of the Rights based upon the number of Rights held (excluding Rights which have become void pursuant to the provisions of Section 11(a)(ii)); and in such case, a new Rights Certificate evidencing the Rights not being exchanged shall be prepared and executed by the Company and countersigned and delivered by the Rights Agent to the registered holder of such Rights subject to the provisions of Section 14.

(c) In the event that there shall be an insufficient number of shares of Common Stock authorized but unissued or issued and held in the treasury of the Company to permit an exchange of Rights directed by the Board of Directors of the Company, the Company shall take all such action as may be necessary to authorize additional shares of Common Stock for issuance upon such exchange of the Rights. In any such exchange, the Company may, at its option, substitute Equivalent Common Stock for some or all of the Common Stock otherwise exchangeable for the Rights.

(d) The Company shall not be required to issue fractional shares of Common Stock in exchange for Rights or to distribute certificates which evidence fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company shall pay to the registered holders of the Rights with respect to which such fractional Common Stock would otherwise be issuable an amount in cash equal to the same fraction of the Current Per Share Market Value of Common Stock (as

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determined as provided in Section 11(d)) for the Trading Day immediately prior to the date of such exchange.

#### Section 25. Notice of Certain Events

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Common Stock or to make any other distribution to the holders of Common Stock (other than a regular periodic cash dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of Common Stock rights

or warrants to subscribe for or to purchase any additional shares of Common Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Common Stock (other than a reclassification involving only the subdivision of outstanding shares of Common Stock), or (iv) to effect any consolidation or merger into or with, or to effect any sale, non-ordinary course mortgage or other transfer (or to permit one or more of its Subsidiaries to effect any sale, non-ordinary course mortgage or other transfer), in one transaction or a series of related transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other person (other than a Subsidiary of the Company in one or more transactions each of which is not prohibited by Section 11(o) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the shares of Common Stock, if any such date is to be fixed, and such notice shall be so given, in the case of any action covered by clause (i) or (ii) above, at least ten (10) days prior to the record date for determining holders of the shares of Common Stock for purposes of such action, and in the case of any such other action, at least ten (10) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the shares of Common Stock, whichever shall be the earlier.

(b) In case any Section 11(a)(ii) Event shall occur, then, in any such case, the Company shall as soon as practicable thereafter give to each registered holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Delta Apparel, Inc.  
3355 Breckenridge Boulevard, Suite 100  
Duluth, Georgia 30096  
Attn: Secretary

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Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

First Union National Bank  
1525 West W.T. Harris Boulevard, 3C3  
Charlotte, North Carolina 28288-1153  
Attention: Shareholder Services Group

Notices or demands authorized by this Agreement to be given or made by the company or the Rights Agent to the holder of any Right Certificate (or, prior to the Distribution Date, to the holder of any certificate representing shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. Prior to the Distribution Date, the Company and the Rights Agent shall, if so directed by the Company, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing Common Stock. From and after the Distribution Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holder of Right Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder or (iv) to change or supplement the provisions hereunder in any manner which the



Company may deem necessary or desirable and which shall not adversely affect, as determined solely by the Company, the interests of the holders of the Rights or the Right Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, however, that this Agreement may not be supplemented or amended pursuant to clause (iii) of this sentence (A) to lengthen any time period unless (1) approved by a majority of the Disinterested Directors then in office and (2) such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, registered holders of the Rights, or (B) to lengthen any time period relating to when the Rights may be redeemed if at such time the Rights are not then redeemable. Upon the delivery of such certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made on or after the Distribution Date which changes the Redemption Price, the Final Expiration Date, the Exercise Price or the number of shares (or portions thereof) of Common Stock for which a Right is exercisable, and no supplement or amendment that changes the rights and duties of the Rights Agent under this Agreement shall be effective without the consent of the Rights Agent. Prior to the Distribution Date,

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the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Determinations and Actions by the Board of Directors. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act as in effect on the date hereof. The Board of Directors of the Company (with, where specifically provided for herein, the approval of a majority of the Disinterested Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board (with, where specifically provided for herein, the approval of a majority of the Disinterested Directors) or to the Company, or as may be necessary or advisable in the administration of this Agreement, including without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board of Directors (or, where specifically provided for herein, by a majority of the Disinterested Directors) in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject any member of the Board of Directors or any of the Disinterested Directors to any liability to the holders of the Rights or to any other person.

Section 30. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, registered holders of the Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, registered holders of the Common Stock).

Section 31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of

Directors of the Company (including, if at the time of such determination, there is an Acquiring

Person, a majority of the Disinterested Directors then in office) determines in its good faith judgment that severing the invalid language from the Agreement would adversely affect the purpose or effect of the Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the Close of Business on the tenth day following the date of such determination by the Board of Directors.

Section 32. Governing Law. This Agreement, each Right and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Georgia and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and to be performed entirely within Georgia.

Section 33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have caused this Shareholder Rights Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ATTEST: DELTA APPAREL, INC.

By: s/ Herbert M. Mueller By: s/ Robert W. Humphreys
-----
Name: Herbert M. Mueller Name: Robert W. Humphreys
Title: V. P., CFO Title: President & CEO

ATTEST: FIRST UNION NATIONAL BANK

By: s/ Johnnie H. Coble By: s/ Partrick J. Edwards
-----
Name: Johnnie H. Coble Name: Patrick J. Edwards
Title: Corporate Trust Officer Title: Vice President

Exhibit A

[Form of Right Certificate]

Certificate No. R- \_\_\_\_\_ Rights

NOT EXERCISABLE AFTER JANUARY 20, 2010 OR EARLIER IF NOTICE OF REDEMPTION IS GIVEN. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.001 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. [UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID.] [THE RIGHTS REPRESENTED BY THIS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). THIS RIGHT CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY

RIGHT CERTIFICATE  
DELTA APPAREL, INC.

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Shareholder Rights Agreement dated as of January 27, 2000 (the "Rights Agreement") between Delta Apparel, Inc. (the "Company"), and First Union National Bank (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to the Close of Business on January 20, 2010, at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one quarter of a fully paid and nonassessable share of common stock, \$0.01 par value per share (the "Common Stock"), of the Company, at an exercise price of \$20.00 per quarter share (the "Exercise Price") equivalent to \$80.00 for each share), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase and the related Certificate duly executed. The number of Rights evidenced by this Right Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above and the Exercise Price per share set forth above, are the number and Exercise Price as of \_\_\_\_\_, based on the Common Stock as constituted at such date.

Upon the occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Right Certificate are beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined in the

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Rights Agreement), (ii) a transferee of any such Acquiring Person, Affiliate or Associate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a Person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Right shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Exercise Price and the number of shares of Common Stock or other securities which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the principal offices of the Company and the Rights Agent and are also available upon written request to the Company or the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the office or offices of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of shares of Common Stock as the Rights evidenced by the Right Certificate or Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Board of Directors of the Company at its option at a redemption price of \$.001 per Right (payable in cash, Common Stock or other consideration deemed appropriate by the Board of Directors), or may be exchanged, in whole or in part, for Common Stock.

No fractional shares of Common Stock will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder, as such, of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any

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corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of \_\_\_\_\_, 20\_\_.

ATTEST: DELTA APPAREL, INC.

By: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
President

Countersigned:

FIRST UNION NATIONAL BANK  
as Rights Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

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[Form of Reverse Side of Right Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ (please print name and address of transferee) this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_ 20\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed: \_\_\_\_\_

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate \_\_\_ are \_\_\_ are not being transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, the undersigned \_\_\_ did \_\_\_ did not directly or indirectly acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of any such Person.

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

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FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise the Rights represented by the Right Certificate.)

To: Delta Apparel, Inc.:

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ Rights represented by this Right Certificate to purchase the shares of Common Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of:

\_\_\_\_\_  
(Please print name and address)

\_\_\_\_\_  
(Please insert social security or other identifying number)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance of such Rights shall be registered in the name of and delivered to:

\_\_\_\_\_  
(Please print name and address)

\_\_\_\_\_  
(Please insert social security or other identifying number)

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed: \_\_\_\_\_

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Exhibit B

DELTA APPAREL, INC.  
SUMMARY OF RIGHTS TO PURCHASE COMMON STOCK

On January 20, 2000, the Board of Directors of Delta Apparel, Inc. (the "Company") declared a dividend distribution of one Common Stock Purchase Right

for each outstanding share of Common Stock of the Company to stockholders of record at the close of business on January 20, 2000. Each Right entitles the registered holder to purchase from the Company one quarter share of Common Stock, \$0.01 par value per share (the "Common Stock"), at a cash exercise price of \$20.00 per quarter share, subject to adjustment. The description and terms of the Rights are set forth in a Shareholder Rights Agreement between the Company and First Union National Bank, as Rights Agent.

Initially, the Rights will not be exercisable, will be attached to all outstanding shares of Common Stock, and no separate Right Certificates will be distributed. The Rights will separate from the Common Stock and a Distribution Date will occur upon the earliest of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") (other than an Exempt Person as defined in the Agreement) has acquired beneficial ownership of 20% or more of the outstanding shares of Common Stock (the date of said announcement being referred to as the "Share Acquisition Date") and (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a Person or group owning 20% or more of the outstanding shares of Common Stock.

Until the Distribution Date (or earlier redemption or expiration of the Rights), (a) the Rights will be evidenced by the Common Stock certificates and will be transferred only with such Common Stock certificates, (b) new Common Stock certificates issued after January 20, 2000 will contain a notation incorporating the Shareholder Rights Agreement by reference, and (c) the surrender for transfer of any certificates for Common Stock will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on January 20, 2010 unless previously redeemed by the Company as described below.

As soon as practicable after the Distribution Date, Right Certificates will be mailed to holders of record of Common Stock as of the close of business on the Distribution Date and, thereafter, the separate Right Certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

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In the event that (i) a Person acquires beneficial ownership of 20% or more of the Company's Common Stock, (ii) the Company is the surviving corporation in a merger with an Acquiring Person or any Affiliate or Associate of an Acquiring Person and the Common Stock is not changed or exchanged, (iii) an Acquiring Person engages in one of a number of self-dealing transactions specified in the Shareholder Rights Agreement, or (iv) an event occurs that results in an Acquiring Person's ownership interest being increased by more than 1%, proper provision will be made so that each holder of a Right will thereafter have the right to receive upon exercise thereof at the then current exercise price, that number of shares of Common Stock (or in certain circumstances, cash, property, or other securities of the Company) having a market value of two times such exercise price. However, the Rights are not exercisable following the occurrence of any of the events set forth above until the time the Rights are no longer redeemable as set forth below. Notwithstanding any of the foregoing, upon any of the events set forth above, rights that are or were beneficially owned by an Acquiring Person shall become null and void.

In the event that, at any time following the Share Acquisition Date, (i) the Company is acquired in a merger or other business combination transaction or (ii) 50% or more of the Company's assets or earning power is sold, each holder of a Right shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the exercise price of the Right.

At any time after any person becomes an Acquiring Person and prior to such the time such Person, together with its Affiliates and Associates, becomes the Beneficial Owner of 50% or more of the outstanding Common Stock, the Board of Directors of the Company may exchange the Rights (other than Rights that have become void), in whole or in part, at the exchange rate of one quarter share of Common Stock per Right, subject to adjustment as provided in the Rights Agreement.

The exercise price payable, and the number of shares of Common Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Common Stock, (ii) if all holders of the Common Stock are granted certain rights or warrants to subscribe for Common Stock or securities convertible into Common Stock at less than the current market price of the Common Stock, or (iii) upon the distribution to all holders of the Common Stock of evidence of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the exercise price will be required until cumulative adjustments amount to at least 1% of the exercise price. No fractional shares of Common Stock will be issued upon exercise of a Right and, in lieu thereof, a payment, in cash will be made based on the fair market value of the Common Stock on the last trading date prior to the date of exercise.

The Rights may be redeemed in whole, but not in part, at a price of \$.001 per Right (payable in cash, Common Stock or other consideration deemed appropriate by the Board of Directors) by the Board of Directors at any time prior to the close of business on the tenth day after the Share

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Acquisition Date or the final expiration Date of the Rights (whichever is earlier); provided that under certain circumstances, the Rights may not be redeemed unless there are Disinterested Directors in office and such redemption is approved by a majority of such Disinterested Directors. After the redemption period has expired, the Company's right of redemption may be reinstated upon the approval of the Board of Directors if an Acquiring Person reduces his beneficial ownership to 10% or less of the outstanding shares of Common Stock in transaction or series of transactions not involving the Company and there are no other Acquiring Persons. Immediately upon the action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and thereafter the only right of the holders of Rights will be to receive the redemption price.

Until a Right is exercised, the holder will have no rights as a stockholder of the Company (beyond those as an existing stockholder), including the right to vote or to receive dividends.

Any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement, other than those relating to the principal economic terms of the Rights, may be amended by the Board to cure any ambiguity, defect or inconsistency, to make changes that do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the Rights Agreement. Amendments adjusting time periods may, under certain circumstances, require the approval of a majority of Disinterested Directors, or otherwise be limited.

While the distribution of the Rights will not be taxable to stockholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Common Stock (or other consideration) of the Company or for common stock of an acquiring company as set forth above.

A copy of the Shareholder Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Shareholder Rights Agreement.

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TAX SHARING AGREEMENT

dated as of \_\_\_\_\_, 2000

among

DELTA WOODSIDE INDUSTRIES, INC.

DELTA APPAREL, INC.

and

DUCK HEAD APPAREL COMPANY, INC.

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TAX SHARING AGREEMENT

TAX SHARING AGREEMENT dated as of \_\_\_\_\_, 2000 among DELTA WOODSIDE INDUSTRIES, INC., a South Carolina corporation (together with its successors, "Delta Woodside"), DELTA APPAREL, INC., a Georgia corporation (together with its successors, "Delta Apparel"), and DUCK HEAD APPAREL COMPANY, INC., a Georgia corporation (together with its successors, "Duck Head").

RECITALS

WHEREAS, pursuant to the Tax laws of various jurisdictions, certain members of the Delta Woodside Tax Group, certain members of the Delta Apparel Tax Group and certain members of the Duck Head Tax Group, as defined below, have filed or will file certain Tax returns on an affiliated, consolidated, combined, unitary or other group basis (including as permitted by Section 1501 of the Internal Revenue Code of 1986, as amended (the "Code")) (each such group, a "Consolidated Group");

WHEREAS, the Board of Directors of Delta Woodside has determined that it is in the best interests of Delta Woodside and its stockholders to distribute all of the outstanding shares of the common stock of Delta Apparel and all of the outstanding shares of the common stock of Duck Head to the holders of the common stock of Delta Woodside on a pro rata basis (the "Distribution"); and

WHEREAS, the parties have set forth in this Agreement the rights and obligations of Delta Woodside and the other members of the Delta Woodside Tax Group, Delta Apparel and the other members of the Delta Apparel Tax Group, and Duck Head and the other members of the Duck Head Tax Group with respect to the handling and allocation of certain federal, state, local and other Taxes incurred in Taxable periods beginning prior to the Distribution Date, and various other Tax matters;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.01. Definitions.

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(a) As used herein, the following terms have the following meanings:

"Business Day" means any day other than a Saturday, a Sunday or one on which banks are authorized or required by law to close in Greenville, South Carolina.

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"Delta Apparel Tax Group" means, at any time, Delta Apparel and any direct



or indirect corporate subsidiaries (including predecessors and successors thereto) of Delta Apparel that would be eligible, assuming, where applicable, that Delta Apparel is not a member of a group that includes Delta Woodside or Duck Head, to join with Delta Apparel, (i) with respect to Federal Taxes, in the filing of a consolidated Federal Tax return, (ii) with respect to State Taxes, in the filing of an affiliated, consolidated, combined or unitary State Tax return or (iii) with respect to other Taxes, in the filing of a Tax return as an affiliated, consolidated, combined or unitary group.

"Delta Woodside Consolidated Group" means Delta Woodside and each direct and indirect corporate subsidiary (including predecessors and successors thereto) that is eligible to join with Delta Woodside (i) with respect to Federal Taxes, in the filing of a consolidated Federal Tax return, (ii) with respect to State Taxes, in the filing of an affiliated, consolidated, combined or unitary State Tax return, or (iii) with respect to other Taxes, in the filing of a Tax return as an affiliated, consolidated, combined or unitary group.

"Delta Woodside Tax Group" means, at any time, Delta Woodside and any direct or indirect corporate subsidiaries (including predecessors and successors thereto) of Delta Woodside that would be eligible, assuming, where applicable that Delta Woodside is not a member of a group that includes Delta Apparel or Duck Head, to join with Delta Woodside, (i) with respect to Federal Taxes, in the filing of a consolidated Federal Tax return, (ii) with respect to State Taxes, in the filing of an affiliated, consolidated, combined or unitary State Tax return or (iii) with respect to other Taxes, in the filing of a Tax return as an affiliated, consolidated, combined or unitary group.

"Designated Delta Apparel Affiliate" means Delta Apparel or the member of the Delta Apparel Tax Group that has been designated as such by Delta Apparel.

"Designated Duck Head Affiliate" means Duck Head or the member of the Duck Head Tax Group that has been designated as such by Duck Head.

"Distribution Agreement" means the Distribution Agreement dated as of March 15, 2000 among Delta Woodside, Delta Apparel and Duck Head.

"Distribution Date" means the Business Day on which the Distribution shall be effected.

"Duck Head Tax Group" means, at any time, Duck Head and any direct or indirect corporate subsidiaries (including predecessors and successors thereto) of Duck Head that would be eligible, assuming, where applicable, that Duck Head is not a member of a group that includes Delta Woodside or Delta Apparel, to join with Duck Head, (i) with respect to Federal Taxes, in the filing of a consolidated Federal Tax return, (ii) with respect to State Taxes, in the filing of an

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affiliated, consolidated, combined or unitary State Tax return or (iii) with respect to other Taxes, in the filing of a Tax return as an affiliated, consolidated, combined or unitary group.

"Effective Realization" (and the correlative terms, "Effectively Realized" and "Effectively Realizes") means, with respect to a tax saving, tax benefit or tax attribute, the earliest to occur of (i) the receipt by a member of the Delta Woodside Tax Group, a member of the Delta Apparel Tax Group or a member of the Duck Head Tax Group of cash from a Taxing Authority reflecting such tax saving, tax benefit or tax attribute, (ii) the application of such tax saving, tax benefit or tax attribute to reduce (A) the Tax liability on a Return of any of such corporations or of any affiliated, consolidated, combined or unitary group of which any of such corporations is a member, or (B) any other outstanding Tax liability of any of such corporations or of such group, or (iii) a Final Determination of the entitlement of any of such corporations or of such group to such tax saving, tax benefit or tax attribute.

"Federal Employment Tax" means the Federal Insurance Contributions Act, the Federal Unemployment Tax Act and any other federal tax that applies or that shall apply to a corporation in connection with the payment or provision of salaries, or the provision of benefits and other remuneration, to employees.

"Federal Tax" means any tax imposed under Subtitle A of the Code.

"Final Determination" means (i) with respect to Federal Taxes, (A) a "determination" as defined in Section 1313(a) of the Code, or (B) the acceptance

by or on behalf of the IRS of Form 870-AD (or any successor form thereto) as a final resolution of Tax liability for any Taxable period, except as to items in respect of which the right of the taxpayer to file a claim for refund or the right of the IRS to assert a further deficiency has been reserved; (ii) with respect to Taxes other than Federal Taxes, any final determination of liability in respect of a Tax that, under applicable law, is not subject to further appeal, review or modification, through Tax Proceedings or otherwise (including, without limitation, the expiration of a statute of limitations or a period for the filing of claims for refunds, amended returns or appeals from adverse determinations); or (iii) the payment of Tax by the corporation among the members of the Delta Woodside Tax Group, the members of the Delta Apparel Tax Group and the members of the Duck Head Tax Group that is responsible for payment of such Tax under applicable law with respect to any item that has been disallowed or adjusted by a Taxing Authority and as to which Delta Woodside, Delta Apparel or Duck Head (as applicable) has made a determination that no recoupment shall be sought.

"Fiscal 2000 Pre-Distribution Period" means the taxable period from July 4, 1999 through the Distribution Date.

"Grossed Up Tax Amount" means an additional amount (taking into account any taxation of such additional amount) necessary to reflect the hypothetical Tax consequences of the receipt or accrual of any payment, using the highest Tax rate (or rates, in the case of an item that affects

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more than one Tax) applicable to the recipient of such payment for the relevant Taxable period, reflecting for example, the effect of any deductions available for interest paid or accrued and for appropriate Taxes such as State Taxes.

"Intercompany Interest Rate" means the rate, from time to time, that is equal to the London Interbank Offered Rate for dollar deposits, plus 2% per annum.

"Intercompany Reorganization" shall have the meaning ascribed to that term in the Distribution Agreement.

"IRS" means the Internal Revenue Service.

"Post-Distribution Period" means any taxable period (or portion thereof) beginning after the close of business on the Distribution Date.

"Pre-Distribution Period" means any taxable period (or portion thereof) ending on or before the close of business on the Distribution Date.

"Return" means any Tax return, statement, report, form or election (including, without limitation, estimated Tax returns and reports, extension requests and forms, and information returns and reports) required to be filed with any Taxing Authority, in each case as amended and as finally adjusted.

"State Taxes" mean any income, franchise or similar tax payable to a state or local taxing jurisdiction of the United States.

"Tax" (and the correlative term, "Taxable") means (i) any Federal Tax, or any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding (as payor or recipient), payroll, employment, excise, severance, stamp, capital stock, occupation, property, real property gains, environmental, windfall, premium, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest thereon and any penalty, addition to tax or additional amount thereto; (ii) any liability of a corporation for the payment of any amounts of the type described in clause (i) for any taxable period resulting from such corporation's being a part of a Consolidated Group pursuant to the application of Treasury Regulations Section 1.1502-6 (or a successor thereto) or any similar provision applicable under state, local or foreign law; or (iii) any liability for the payment of any amounts described in clause (i) as a result of any express or implied obligation to indemnify any other person.

"Tax Asset" means any net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction, or any other loss, credit, deduction or tax attribute that could reduce any tax (including, without limitation, deductions, credits, alternative minimum net operating loss carryforwards related to alternative minimum taxes or additions to the basis of

property).

"Tax Packages", with respect to a corporation, mean one or more packages of information, relating to such corporation, that are reasonably necessary for the purpose of preparing the Return of any Consolidated Group that includes such corporation.

"Tax Proceeding" means any Tax audit, dispute or proceeding (whether administrative or judicial). Without limiting the generality of the foregoing, a reference to a Tax Proceeding relating to any taxable year shall include a Tax Proceeding relating to multiple taxable years that include such taxable year, notwithstanding that other included taxable years may be Post- Distribution Periods.

"Taxing Authority" means any governmental authority (whether United States or non- United States, and including, without limitation, any state, municipality, political subdivision or governmental agency) responsible for the imposition of any Tax.

(b) Each of the following terms is defined in the Section or portion of this Agreement set forth opposite such term:

Term	Section
Code	Recitals
Consolidated Group	Recitals
Delta Apparel	Recitals
Delta Woodside	Recitals
Distribution	Recitals
Duck Head	Recitals
Indemnitee	7.04
Indemnitor	7.04
Tax Benefit	7.07

(c) Each of the following terms has the definition for that term in the Distribution Agreement: "Delta Apparel Business", "Delta Apparel Employee Group", "Delta Woodside Business", "Delta Woodside Employee Group", "Duck Head Business" and "Duck Head Employee Group".

(d) Any term used in this Agreement that is not defined in this Agreement shall, to the extent the context requires, have the meaning assigned to it in the Code or in comparable provisions of applicable Tax law.

ARTICLE 2

ADMINISTRATIVE AND COMPLIANCE MATTERS

SECTION 2.01. Sole Tax Sharing Agreement.

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(a) Except for Sections 14.4(b) and 15.12 of the Distribution Agreement and except for any agreement described in paragraph (b) below, any and all existing Tax sharing agreements or arrangements, written or unwritten, among two or more of any member of the Delta Woodside Tax Group, any member of the Delta Apparel Tax Group and any member of the Duck Head Tax Group shall be or shall have been terminated as of the Distribution Date. On and after the Distribution Date, none of the members of the Delta Woodside Tax Group, the members of the Delta Apparel Tax Group and the members of the Duck Head Tax Group shall have any rights or liabilities (including, without limitation, any rights and liabilities that accrued prior to the Distribution Date) under such terminated agreements and arrangements.

(b) This Agreement shall not address the obligations or arrangements, if any, solely (i) among members of the Delta Woodside Tax Group, (ii) among members of the Delta Apparel Tax Group, or (iii) among members of the Duck Head Tax Group. Without limiting the generality of the foregoing, that certain Income Tax Sharing Agreement, dated as of August 1, 1997, by and between Delta Woodside and Delta Mills, Inc. remains in full force and effect notwithstanding this Agreement.

SECTION 2.02. Designation of Agent.  
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(a) Each member of the Delta Apparel Tax Group and each member of the Duck Head Tax Group hereby irrevocably authorizes and designates Delta Woodside as its agent, attorney-in-fact, coordinator and administrator for the purposes of taking any and all actions with respect to Taxes for which such member is a member of the Delta Woodside Consolidated Group in connection with any taxable period that includes a Pre-Distribution Period. In connection with any Pre-Distribution Period, Delta Woodside shall have the same authority under this Section 2.02(a), with respect to the Taxes described in the preceding sentence, to act on behalf of each member of the Delta Apparel Tax Group and each member of the Duck Head Tax Group as would such member, were such member acting on its own behalf, and as would the parent of the Consolidated Group that includes such member, were such parent acting on behalf of such member. Delta Woodside covenants to the Delta Apparel Tax Group and the Duck Head Tax Group that it shall be responsible to see that matters handled pursuant to its exercise of its authority under this Section 2.02(a) shall be handled promptly and, to the knowledge of Delta Woodside, appropriately.

(b) Without limiting the generality of Section 2.02(a), Delta Woodside shall have the authority, with respect to the Taxes and taxable periods described in Section 2.02(a), to take any and all actions necessary, helpful or incidental to, or otherwise in connection with, (i) the

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preparation or filing of any Return or claim for refund (even where an item or Tax Asset giving rise to an amended Return or claim for refund arises in a Post-Distribution Period), (ii) the conduct, management, prosecution, defense, contest, compromise or settlement of (A) any adjustment or deficiency proposed, asserted or assessed as a result of any audit of any Return, or (B) any other Tax Proceeding, (iii) the determination of the taxable periods (including, without limitation, taxable periods that include a Post-Distribution Period) that a settlement of a Tax Proceeding may impact and other timing considerations, (iv) the determination as to whether any refunds shall be received by way of refund or credited against tax liability, (v) the determination as to the treatment of Tax Assets that are allowed under applicable law to be carried back or carried forward, (vi) the determination as to whether any, and what, Tax elections shall be made, (vii) the determination as to whether any, and what, extensions shall be requested, (viii) the receipt of confidential information from, or the provision of such information to, any Taxing Authority, (ix) the making of payments to, or collection of refunds from, any Taxing Authority, and (x) the performance of any and all actions that are described to be undertaken by Delta Woodside under this Agreement or that are necessary, helpful or incidental to the implementation of the provisions of this Agreement.

(c) Notwithstanding anything in Section 10.07 to the contrary, Delta Woodside may, in its sole and absolute discretion, delegate at any time all or a portion of its authority, rights or obligations under this Agreement to any corporation(s) or any person(s). Such delegation may be revoked by Delta Woodside in its sole and absolute discretion.

SECTION 2.03. Preparation of Returns.  
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(a) Delta Woodside shall prepare and file the Returns (including, without limitation, the consolidated Federal Tax Returns and State Tax Returns) of the Delta Woodside Consolidated Group for all taxable periods that include a Pre-Distribution Period with the assistance of the members of the Delta Apparel Tax Group and the members of the Duck Head Tax Group. In preparing such Returns, Delta Woodside shall not discriminate among the members of the Delta Woodside Consolidated Group. Without limiting the generality of Section 2.02, Delta Woodside shall have the right to determine the manner in which such Returns shall be prepared and filed, including, without limitation, the manner in which any item of income, gain, loss, deduction or credit shall be reported thereon.

(b) The Returns of the Delta Woodside Consolidated Group for the taxable year ended July 1, 2000 shall reflect the inclusion of the members of the Delta Apparel Tax Group and the Duck Head Tax Group in the Delta Woodside Consolidated Group for the Fiscal 2000 Pre-Distribution Period.

SECTION 2.04. Procedure for Collection of Information.  
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(a) No more than 60 days after the Distribution Date, the Designated Delta Apparel Affiliate shall prepare and deliver to Delta Woodside Tax Packages with respect to the members

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of the Delta Apparel Tax Group for the Fiscal 2000 Pre-Distribution Period and the Designated Duck Head Affiliate shall prepare and deliver to Delta Woodside Tax Packages with respect to the members of the Duck Head Tax Group for the Fiscal 2000 Pre-Distribution Period.

(b) At the request of the Designated Delta Apparel Affiliate or the Designated Duck Head Affiliate, Delta Woodside shall forward thereto, within 60 days of such request or such lengthier period of time as Delta Woodside shall determine to be appropriate, such information regarding Federal Tax and credit allocations as is necessary for the preparation of Tax Packages related to State Taxes with respect to the members of the Delta Apparel Tax Group or the members of the Duck Head Tax Group, respectively.

SECTION 2.05. Allocation.

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(a) With respect to any Pre-Distribution Period, Delta Woodside may, at its option, elect, and the Delta Apparel Tax Group shall join it in electing (if necessary), to ratably allocate items of the Delta Apparel Tax Group in accordance with relevant provisions of Treasury Regulations Section 1.1502-76. If Delta Woodside exercises its option to make such election, the members of the Delta Apparel Tax Group shall provide to Delta Woodside such statements as are required under the regulations and other appropriate assistance.

(b) With respect to any Pre-Distribution Period, Delta Woodside may, at its option, elect, and the Duck Head Tax Group shall join it in electing (if necessary), to ratably allocate items of the Duck Head Tax Group in accordance with relevant provisions of Treasury Regulations Section 1.1502-76. If Delta Woodside exercises its option to make such election, the members of the Duck Head Tax Group shall provide to Delta Woodside such statements as are required under the regulations and other appropriate assistance.

SECTION 2.06. Certain Other Returns.

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(a) The members of the Delta Apparel Tax Group shall be solely responsible for the preparation and filing of (i) their respective separate state and local Returns, (ii) Returns filed on behalf of an affiliated, consolidated, combined or unitary group that includes neither any member of the Delta Woodside Tax Group nor any member of the Duck Head Tax Group, and (iii) Returns for all taxable periods that begin after the Distribution Date.

(b) The members of the Duck Head Tax Group shall be solely responsible for the preparation and filing of (i) their respective separate state and local Returns, (ii) Returns filed on behalf of an affiliated, consolidated, combined or unitary group that includes neither any member of the Delta Woodside Tax Group nor any member of the Delta Apparel Tax Group, and (iii) Returns for all taxable periods that begin after the Distribution Date.

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ARTICLE 3

TAX SHARING

SECTION 3.01. Tax Sharing Principles With Respect to Federal Taxes for Each

Pre-Distribution Period. With respect to Federal Taxes:

(a) For each taxable year during the Pre-Distribution Period prior to the Fiscal 2000 Pre-Distribution Period, Delta Woodside shall be responsible for paying any increase in Federal Taxes, and shall be entitled to receive the benefit of any refund of or saving in Federal Taxes, that results from any Tax Proceeding with respect to any Returns relating to Federal Taxes of the Delta

Woodside Consolidated Group.

(b) For the Fiscal 2000 Pre-Distribution Period, Delta Woodside shall be responsible for paying any Federal Taxes, and shall be entitled to any refund of or saving in Federal Taxes, with respect to the Delta Woodside Consolidated Group.

SECTION 3.02. Tax Sharing Principles With Respect to State Taxes. With

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respect to State Taxes, for each taxable period during the Pre-Distribution Period, each corporation that is a member of the Delta Woodside Tax Group, the Delta Apparel Tax Group or the Duck Head Tax Group shall be responsible for paying any State Taxes, and any increase in States Taxes, and shall be entitled to receive the benefit of any refund of or saving in State Taxes, with respect to that corporation (or any predecessor by merger of that corporation) or that results from any Tax Proceeding with respect to any Returns relating to State Taxes of that corporation (or any predecessor by merger of that corporation).

SECTION 3.03. Tax Sharing Principles With Respect to Federal Employment

Tax.

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(a) Delta Woodside shall be responsible for the Federal Employment Taxes payable with respect to the compensation paid, whether before, on or after the Distribution Date, by any member of the Delta Woodside Consolidated Group for any Pre-Distribution Period or by any member of the Delta Woodside Tax Group for any period after the Distribution Date to all individuals who are members of the Delta Woodside Employee Group.

(b) Delta Apparel shall be responsible for the Federal Employment Taxes payable with respect to the compensation paid, whether before, on or after the Distribution Date, by any member of the Delta Woodside Consolidated Group for any Pre-Distribution Period or by any member of the Delta Apparel Tax Group for any period after the Distribution Date to all individuals who are members of the Delta Apparel Employee Group.

(c) Duck Head shall be responsible for the Federal Employment Taxes payable with respect to the compensation paid, whether before, on or after the Distribution Date, by any member of the Delta Woodside Consolidated Group for any Pre-Distribution Period or by any

member of the Duck Head Tax Group for any period after the Distribution Date to all individuals who are members of the Duck Head Employee Group.

SECTION 3.04. Tax Sharing Principles With Respect to Other Taxes. With

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respect to any Taxes, other than Federal Employment Taxes, Federal Taxes and State Taxes:

(a) Delta Woodside shall be responsible for any such Taxes, regardless of the time period or circumstance with respect to which such Taxes are payable, arising from or attributable to the Delta Woodside Business;

(b) Delta Apparel shall be responsible for any such Taxes, regardless of the time period or circumstance with respect to which such Taxes are payable, arising from or attributable to the Delta Apparel Business; and

(c) Duck Head shall be responsible for any such Taxes, regardless of the time period or circumstance with respect to which such Taxes are payable, arising from or attributable to the Duck Head Business.

SECTION 3.05. Post-Distribution Periods. The Delta Woodside Tax Group shall

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be responsible for all Taxes, and shall receive the benefit of all Tax items, of any member of the Delta Woodside Tax Group that relate to any Post-Distribution Period. The Delta Apparel Tax Group shall be responsible for all Taxes, and shall receive the benefit of all Tax items, of any member of the Delta Apparel Tax Group that relate to any Post-Distribution Period. The Duck Head Tax Group shall be responsible for all Taxes, and shall receive the benefit of all Tax items, of any member of the Duck Head Tax Group that relate to any Post-Distribution Period.

ARTICLE 4

CERTAIN REPRESENTATIONS AND COVENANTS

SECTION 4.01. Delta Apparel Tax Group Covenants. Delta Apparel and each

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other member of the Delta Apparel Tax Group covenant to each member of the Delta Woodside Tax Group and each member of the Duck Head Tax Group that, on or after the Distribution Date, Delta Apparel shall not, nor shall it permit any member of the Delta Apparel Tax Group to, make or change any tax election, change any accounting method, amend any Return, take any tax position on any Return, take any action, omit to take any action or enter into any transaction that results in an increased tax liability or reduction of any Tax Asset of the Delta Woodside Tax Group or of the Duck Head Tax Group with respect to any Pre-Distribution Period. The Delta Apparel Tax Group agrees that the Delta Woodside Tax Group and the Duck Head Tax Group shall have no liability for any Tax resulting from any action referred to in the

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preceding sentence and agrees to hold harmless the Delta Woodside Tax Group and the Duck Head Tax Group from any such Tax.

SECTION 4.02. Duck Head Tax Group Covenants. Duck Head and each other

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member of the Duck Head Tax Group covenant to each member of the Delta Woodside Tax Group and each member of the Delta Apparel Tax Group that, on or after the Distribution Date, Duck Head shall not, nor shall it permit any member of the Duck Head Tax Group to, make or change any tax election, change any accounting method, amend any Return, take any tax position on any Return, take any action, omit to take any action or enter into any transaction that results in an increased tax liability or reduction of any Tax Asset of the Delta Woodside Tax Group or of the Delta Apparel Tax Group with respect to any Pre-Distribution Period. The Duck Head Tax Group agrees that the Delta Woodside Tax Group and the Delta Apparel Tax Group shall have no liability for any Tax resulting from any action referred to in the preceding sentence and agrees to hold harmless the Delta Woodside Tax Group and the Delta Apparel Tax Group from any such Tax.

ARTICLE 5

PAYMENTS

SECTION 5.01. Procedure for Making Payments. All payments to be made under

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this Agreement shall be made in immediately available funds. Except as otherwise provided, all payments required to be made under this Agreement shall be due 30 days after the receipt of notice of such payment or, where no notice is required, 30 days after (i) the fixing of a Tax liability, (ii) the Effective Realization of a tax saving, tax benefit or tax attribute, (iii) the receipt of a refund, or (iv) the resolution of a dispute. Unless otherwise indicated, any payment that is not made when due shall bear interest at the Intercompany Interest Rate. If, pursuant to a Final Determination, any amount paid by any member of the Delta Woodside Tax Group, any member of the Delta Apparel Tax Group or any member of the Duck Head Tax Group under this Agreement results in any increased Tax liability or reduction of any Tax Asset of the recipient of such payment, then, in addition to any amounts otherwise owed under this Agreement, the payor shall pay the sum of (i) any interest or penalty attributable to such increased tax liability or to the reduction of such Tax Asset, and (ii) the Grossed Up Tax Amount.

ARTICLE 6

CERTAIN TAX MATTERS RELATED TO THE DISTRIBUTION AGREEMENT  
AND TO POST-DISTRIBUTION DEDUCTIONS

SECTION 6.01. Payment of Grossed Up Tax Amounts. If any amount paid

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under the Distribution Agreement by one party to another party to that agreement results in any increased Tax liability or reduction of any Tax Asset of any member of the Delta Apparel Tax Group or any member of the Duck Head Tax Group, in the case of Delta Woodside, or any member of the Delta Woodside Tax Group or any member of the Duck Head Tax Group, in the case of Delta Apparel, or any member of the Delta Woodside Tax Group or the Delta Apparel Tax Group, in the case of Duck Head, then the party making such payment shall, in addition to paying any amounts otherwise owed under the Distribution Agreement, indemnify the recipient of such payment against and hold it harmless from, without duplication, (i) such increased Tax or the reduction of such Tax Asset, (ii) any interest or penalty attributable to such increased Tax liability or the reduction of such Tax Asset and (iii) the Grossed Up Tax Amount.

SECTION 6.02. Deductions and Certain Taxes Related to Stock Options.  
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(a) Delta Woodside shall claim the Federal Tax deductions and any State Tax deductions attributable to the exercise, following the Distribution Date, of options to purchase the stock of Delta Woodside that are held by a person who is at the time the deduction is claimed (or, in the case of a person who is no longer employed by a member of the Delta Woodside Tax Group, a member of the Delta Apparel Tax Group or a member of the Duck Head Tax Group at the time the deduction is claimed, who before or after the Distribution was) an employee of a member of the Delta Woodside Tax Group.

(b) Delta Woodside shall claim the Federal Tax deductions and any State Tax deductions attributable to the exercise, following the Distribution Date, of options to purchase the stock of Delta Woodside that are held by a person who is at the time the deduction is claimed (or, in the case of a person who is no longer employed by a member of the Delta Woodside Tax Group, a member of the Delta Apparel Tax Group or a member of the Duck Head Tax Group at the time the deduction is claimed, who before or after the Distribution was) an employee of a member of the Delta Apparel Tax Group or the Duck Head Tax Group.

(c) The employer of the person who exercises stock options (or, if such person is not employed by a member of the Delta Woodside Tax Group, a member of the Delta Apparel Tax Group or a member of the Duck Head Tax Group, the company among the members of the Delta Woodside Tax Group, the members of the Delta Apparel Tax Group and the members of the Duck Head Tax Group that employed such person immediately before such individual ceased such employment) shall timely pay the applicable Federal Employment Tax or any state employment tax in connection with such exercise.

SECTION 6.03. Deductions Related to Employee Severance and Other Enumerated  
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Expenses. For purposes of computing Delta Woodside's Federal Taxes and Delta  
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Woodside's State Taxes for any Pre-Distribution Period, Delta Woodside shall receive the Federal Tax deductions and any State Tax deductions, as appropriate, attributable to any and all expenses incurred in connection with the termination of the employment of persons who were employees of Delta Woodside immediately before the Distribution.

SECTION 6.04. Indemnification under Article 6. To the extent that any  
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deduction accorded to a member of the Delta Woodside Tax Group by Section 6.02 or 6.03 is disallowed because a Taxing Authority makes a Final Determination that a member of the Delta Apparel Tax Group or of the Duck Head Tax Group should have claimed such deduction, the Designated Delta Apparel Affiliate or Designated Duck Head Affiliate, respectively, shall pay to Delta Woodside an amount equal to the resulting actual tax benefit Effectively Realized by the Delta Apparel Tax Group or the Duck Head Tax Group, respectively, within 30 days of the Effective Realization thereof.

ARTICLE 7

INDEMNITIES

SECTION 7.01. Indemnification by Delta Woodside Tax Group. Delta Woodside  
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and each other member of the Delta Woodside Tax Group shall jointly and severally indemnify Delta Apparel, the other members of the Delta Apparel Tax Group, Duck Head, and the other members of the Duck Head Tax Group against and hold them harmless from:

(a) liability for any Taxes for which any member of the Delta Woodside Tax Group is responsible under Article 3 hereof (provided that, for purposes of the foregoing portion of this Section 7.01(a), Taxes shall refer only to such taxes as are described in clause (i) of the definition of such term in Section 1.01(a)), including without limitation, (i) any tax liability of any member of the Delta Woodside Tax Group resulting from the existence of any excess loss accounts or deferred intercompany gains immediately before the Distribution, and (ii) any Federal Employment Tax of any member of the Delta Woodside Tax Group, but excluding any Tax liability resulting from the Distribution except for such amounts as are described in clause (i) of this Section 7.01(a);

(b) liability for Taxes relating to any taxable period resulting from a breach by Delta Woodside or any other member of the Delta Woodside Tax Group of any representation or covenant made by any member of the Delta Woodside Tax Group in this Agreement; and

(c) liability for Taxes resulting from the Intercompany Reorganization or from the Distribution, except (A) to the extent that such liability arises by reason of the breach by (I) Delta Apparel or any other member of the Delta Apparel Tax Group of any representation or covenant made by any member of the Delta Apparel Tax Group in this Agreement, or (II) Duck Head or any other member of the Duck Head Tax Group of any representation or covenant made by any member of the Duck Head Tax Group in this Agreement, (B) for such amounts as are described in Section 7.01(a)(i), and (C) for any tax liability of any member of the Delta Woodside Tax Group resulting from the existence of any deferred intercompany gains immediately before the Distribution.

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SECTION 7.02. Indemnification by Delta Apparel Tax Group. Delta Apparel and

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each other member of the Delta Apparel Tax Group shall jointly and severally indemnify Delta Woodside, the other members of the Delta Woodside Tax Group, Duck Head, and the other members of the Duck Head Tax Group against and hold them harmless from:

(a) liability for any Taxes for which any member of the Delta Apparel Tax Group is responsible under Article 3 hereof (provided that, for purposes of the foregoing portion of this Section 7.02(a), Taxes shall refer only to such taxes as are described in clause (i) of the definition of such term in Section 1.01(a)), including without limitation, (i) any tax liability of any member of the Delta Apparel Tax Group resulting from the existence of any excess loss accounts or deferred intercompany gains immediately before the Distribution, and (ii) any Federal Employment Tax of any member of the Delta Apparel Tax Group, but excluding any Tax liability resulting from the Distribution except for such amounts as are described in clause (i) of this Section 7.02(a);

(b) liability for Taxes relating to any taxable period resulting from a breach by Delta Apparel or any other member of the Delta Apparel Tax Group of any representation or covenant made by any member of the Delta Apparel Tax Group in this Agreement; and

(c) liability for Taxes resulting from the Intercompany Reorganization or from the Distribution, except (A) to the extent that such liability arises by reason of the breach by (I) Delta Woodside or any other member of the Delta Woodside Tax Group of any representation or covenant made by any member of the Delta Woodside Tax Group in this Agreement, or (II) Duck Head or any other member of the Duck Head Tax Group of any representation or covenant made by any member of the Duck Head Tax Group in this Agreement, (B) for such amounts as are described in Section 7.02(a)(i), and (C) for any tax liability of any member of the Delta Apparel Tax Group resulting from the existence of any deferred intercompany gains immediately before the Distribution.

SECTION 7.03. Indemnification by Duck Head Tax Group. Duck Head and each

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other member of the Duck Head Tax Group shall jointly and severally indemnify Delta Woodside, the other members of the Delta Woodside Tax Group, Delta Apparel, and the other members of the Delta Apparel Tax Group against and hold them harmless from:

(a) liability for any Taxes for which any member of the Duck Head Tax Group is responsible under Article 3 hereof (provided that, for purposes of the foregoing portion of this Section 7.03(a), Taxes shall refer only to such taxes as are described in clause (i) of the definition of such term in Section 1.01(a)), including without limitation, (i) any tax liability of any member of the Duck Head Tax Group resulting from the existence of any excess loss accounts or deferred intercompany gains immediately before the Distribution, and (ii) any Federal Employment Tax of any member of the Duck Head Tax Group, but excluding any Tax liability resulting from the Distribution except for such amounts as are described in clause (i) of this Section 7.03(a);

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(b) liability for Taxes relating to any taxable period resulting from a breach by Duck Head or any other member of the Duck Head Tax Group of any representation or covenant made by any member of the Duck Head Tax Group in this Agreement; and

(c) liability for Taxes resulting from the Intercompany Reorganization or from the Distribution, except (A) to the extent that such liability arises by reason of the breach by (I) Delta Woodside or any other member of the Delta Woodside Tax Group of any representation or covenant made by any member of the Delta Woodside Tax Group in this Agreement, or (II) Delta Apparel or any other member of the Delta Apparel Tax Group of any representation or covenant made by any member of the Delta Apparel Tax Group in this Agreement, (B) for such amounts as are described in Section 7.03(a)(i), and (C) for any tax liability of any member of the Duck Head Tax Group resulting from the existence of any deferred intercompany gains immediately before the Distribution.

SECTION 7.04. Additional Indemnity Amounts. Each party with indemnification obligations under Section 7.01, 7.02 or 7.03 (an "Indemnitor") shall also pay to each party that is indemnified by such Indemnitor under such provision (an "Indemnitee") all liabilities, losses, damages, assessments, settlements, judgments, costs and properly documented expenses (including, without limitation, expenses of investigation and reasonable attorneys' fees and expenses) arising out of or incident to the imposition, assessment or assertion of any liabilities or damage described in such provision, including, without limitation, those incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any such liability or damage.

SECTION 7.05. Notice of Claim. The Indemnitee agrees to give prompt notice to the Indemnitor of the assertion of any claim, or the commencement of any suit, action or proceeding, in respect of which indemnity may be sought under Section 7.01, 7.02 or 7.03.

SECTION 7.06. Discharge of Indemnity. An Indemnitor shall discharge its obligations by paying all amounts specified in Sections 7.01, 7.02, 7.03 and 7.04 within 30 days of demand therefor. After a Final Determination of an obligation against which an Indemnitee is indemnified, the Indemnitee shall send a statement to the Indemnitor showing the amount, if any, due under such provisions. Calculation mechanics relating to items described in Sections 7.01, 7.02 and 7.03 shall be in accordance with the principles of Article 3 to the extent they are applicable. Notwithstanding that an Indemnitor disputes in good faith the fact or the amount of any obligation under Section 7.01, 7.02 or 7.03, payment thereunder and under Section 7.04 shall be made within 30 days of demand therefor.

SECTION 7.07. Tax Benefits. If an indemnification obligation of any Indemnitor under this Article 7 arises in respect of an adjustment that makes allowable to the Indemnitee any deduction, amortization, exclusion from income or other allowance (a "Tax Benefit") that would not, but for such adjustment, be allowable, then any payment by the Indemnitor pursuant to this Article 7 shall be an amount equal to the excess of (a) the amount otherwise due but for this

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Section 7.07, over (b) the present value of the product of the Tax Benefit multiplied by (i) in the case of a credit, 100 percent, or (ii) otherwise, the highest Tax rate applicable to the Indemnitee in effect under applicable law at

the time such Tax Benefit becomes allowable to the Indemnitee. Present value computations shall be made by discounting, at the Intercompany Interest Rate, the product described in Section 7.07(b) in view of the date on which the Tax Benefit becomes allowable.

## ARTICLE 8

### AUDIT AND OTHER TAX PROCEEDINGS

#### SECTION 8.01. Control Over Tax Proceedings.

(a) Notwithstanding anything in this Agreement to the contrary, Delta Woodside shall have full control over any and all matters with respect to which the Delta Apparel Tax Group and the Duck Head Tax Group have provided authority to Delta Woodside under Section 2.02, including, without limitation, any and all matters that would give rise to an indemnification obligation under Article 7 on the part of any member of the Delta Woodside Tax Group, any member of the Delta Apparel Tax Group or any member of the Duck Head Tax Group. Delta Woodside shall have absolute discretion with respect to any decisions to be made, or any action to be taken, with respect to any matter described in the preceding sentence.

(b) Without limiting the generality of Section 8.01(a), Delta Woodside may, in its sole and absolute discretion, settle any Tax Proceeding with respect to the Taxes over which it has authority under Section 2.02 (including, without limitation, a Tax Proceeding relating to any and all matters that would give rise to an indemnification obligation under Section 7.01, 7.02 or 7.03). Any such settlement shall be binding on the parties to this Agreement without further recourse.

## ARTICLE 9

### COMMUNICATIONS AND COOPERATION

#### SECTION 9.01. Consult and Cooperate. Delta Woodside, Delta Apparel and Duck

Head shall consult and cooperate (and shall cause their respective subsidiaries to cooperate) fully at the times and to the extent reasonably requested by a party to this Agreement in connection with all matters subject to this Agreement. The cooperation under this Section 9.01 shall, subject to the terms of this Agreement, include, without limitation:

(a) the retention and provision on reasonable request of any information (including,

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without limitation, any books, records, documentation or other information) pertaining to any Tax matters relating to the Delta Woodside Tax Group, the Delta Apparel Tax Group or the Duck Head Tax Group, any necessary explanations of information, and access to personnel, until the expiration of the applicable statute of limitation (giving effect to any extension, waiver or mitigation thereof);

(b) the execution, acknowledgment and delivery of any instrument or document that may be necessary or helpful in connection with (i) any Return, (ii) any Tax Proceeding or other litigation, investigation or action, or (iii) the carrying out of the parties' respective obligations under this Agreement; and

(c) the use of the parties' best efforts to obtain any documentation from a Taxing Authority, another governmental authority or another third party that may be necessary or helpful in connection with the foregoing.

#### SECTION 9.02. Provide Information. Delta Woodside, the Designated Delta

Apparel Affiliate and the Designated Duck Head Affiliate shall keep one another fully informed with respect to any material developments relating to the matters subject to this Agreement.

#### SECTION 9.03. Tax Attribute Matters. Delta Woodside, the Designated Delta

Apparel Affiliate and the Designated Duck Head Affiliate shall promptly advise one another with respect to any proposed Tax adjustments, relating to a Consolidated Group, that are the subject of a Tax Proceeding or other litigation, investigation or action and that may materially affect any Tax liability or Tax attribute of the other parties to this Agreement.

## ARTICLE 10

### MISCELLANEOUS

SECTION 10.01. Guarantee. Delta Apparel guarantees the obligations under -----  
this Agreement of each other member of the Delta Apparel Tax Group. Duck Head guarantees the obligations under this Agreement of each other member of the Duck Head Tax Group. Delta Woodside guarantees the obligations under this Agreement of each other member of the Delta Woodside Tax Group.

SECTION 10.02. Dispute Resolution. If the parties hereto are unable to -----  
resolve any disagreement or dispute relating to this Agreement within 20 days, such disagreement or dispute shall be resolved by Delta Woodside. Any such resolution shall be binding on the parties to this Agreement without further recourse.

SECTION 10.03. Authorization. Each of Delta Woodside, Delta Apparel and -----  
Duck Head hereby represents and warrants that (i) it has the power and authority to execute,

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deliver and perform this Agreement, (ii) this Agreement has been duly authorized by all necessary corporate action on the part of such party, (iii) this Agreement constitutes a legal, valid and binding obligation of such party, and (iv) the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of such party's charter or bylaws or any agreement, instrument or order binding on such party.

SECTION 10.04. Notices. All notices, requests and other communications to -----  
any party hereunder shall be in writing (including facsimile or similar writing) and shall be given:

If to Delta Woodside:

Delta Woodside Industries, Inc.  
233 North Main Street  
Greenville, South Carolina 29601  
Attention: President  
Telecopy No.: (864) 232-6164

If to Duck Head:

Duck Head Apparel Company, Inc.  
1020 Barrow Industrial Parkway  
P.O. Box 688  
Winder, Georgia 30680  
Attention: President  
Telecopy No.: (770) 867-3111

If to Delta Apparel:

Delta Apparel, Inc.  
3355 Breckinridge Blvd.  
Suite 100  
Duluth, Georgia 30096  
Attention: President  
Telecopy No.: (770) 806-6800

or such other address or facsimile number as such party may hereafter specify in writing for this purpose by notice to the other parties hereto. Each such notice, request or other communication shall be effective (a) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section 10.04 and the appropriate facsimile confirmation is received or

(b) if given by any other means, when delivered at the address specified in this Section 10.04.

SECTION 10.05. Amendments; No Waivers.  
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(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Delta Woodside, Delta Apparel and Duck Head, or in the case of a waiver, by the party or parties against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.06. Expenses. Except as specifically provided otherwise in this  
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Agreement or in the Distribution Agreement, each party shall bear its own costs and expenses (including, without limitation, reasonable attorneys' fees and other professional fees and expenses).

SECTION 10.07. Successors and Assigns. The provisions of this Agreement  
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shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors (whether by merger, acquisition of assets or otherwise, and, including, without limitation, any successor succeeding to the tax attributes of a party under Section 381 of the Code) and assigns, to the same extent as if such successor or assign had been an original party to this Agreement; provided that, except as set forth in this Agreement, no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each of the other parties hereto.

SECTION 10.08. Governing Law. This Agreement shall be construed in  
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accordance with and governed by the internal laws of the State of South Carolina.

SECTION 10.09. Counterparts; Effectiveness; No Third Party Beneficiaries.  
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(a) This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective upon the consummation of the Distribution, provided that at or before such time, each party hereto shall have received a counterpart hereof signed by the other parties hereto. No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any person other than (i) the parties hereto, (ii) other members of the Delta Woodside Tax Group, (iii) other members of the Delta Apparel Tax Group and (iv) other members of the Duck Head Tax Group, together in each case with their respective successors and assigns.

(b) All rights and obligations arising under this Agreement shall survive until they are

fully effectuated or performed. Notwithstanding anything in this Agreement to the contrary, this Agreement shall remain in effect and its provisions shall survive for the full period of all applicable statutes of limitation (giving effect to any extension, waiver or mitigation thereof).

SECTION 10.10. Severability. If any one or more of the provisions of this  
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Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or

unenforceable provisions so that the replacement provisions will be valid, legal and enforceable and will have an economic effect that comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.11. Specific Performance. Each of Delta Woodside, the other  
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members of the Delta Woodside Tax Group, Delta Apparel, the other members of the Delta Apparel Tax Group, Duck Head and the other members of the Duck Head Tax Group acknowledges and agrees that damages for a breach or threatened breach of any of the provisions of this Agreement would be inadequate and that irreparable harm would occur. In recognition of this fact, each such corporation agrees that, in the event of such breach or threatened breach, in addition to any damages, any of the other parties to this Agreement, without posting any bond, shall be entitled to seek and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, attachment or any other equitable remedy that may then be available to obligate the breaching party to (i) comply with the covenants made by, and perform other obligations of, it (or, as appropriate, of Delta Woodside, Delta Apparel or Duck Head) under this Agreement, or (ii) if the breaching party is unable, for whatever reason, to comply with such covenants and perform such obligations, to take such other actions as are necessary or appropriate to give the other parties to this Agreement the tax effect and the economic effect that come as close as possible to compliance with such covenants and performance of such obligations.

SECTION 10.12. Captions. Section captions used in this Agreement are for  
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convenience only and shall not affect the construction of this Agreement.

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IN WITNESS WHEREOF the parties hereto have caused this Tax Sharing Agreement to be duly executed by their respective authorized officers as of the date first above written.

DELTA WOODSIDE INDUSTRIES, INC.

By /s/

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Title:

DELTA APPAREL, INC.

By /s/

\_\_\_\_\_  
Title:

DUCK HEAD APPAREL COMPANY, INC.

By /s/

\_\_\_\_\_  
Title:

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DELTA APPAREL, INC.  
2000 STOCK OPTION PLAN

Effective as of February 15, 2000  
Amended and Restated March 15, 2000

DELTA APPAREL, INC.  
2000 STOCK OPTION PLAN  
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1. PURPOSE.

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The purpose of the Delta Apparel, Inc. 2000 Stock Option Plan (the "Plan") is to promote the growth and profitability of Delta Apparel, Inc. (the "Company") and its subsidiaries from time to time ("Subsidiaries") by increasing the personal participation of key and middle level executives in the continued growth and financial success of the Company and the Subsidiaries, by enabling the Company and the Subsidiaries to attract and retain executives of outstanding competence and by providing such executives with an equity opportunity in the Company. This purpose will be achieved through the grant of options ("Options") to purchase shares of the common stock of the Company ("Shares").

2. ADMINISTRATION.

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The Plan shall be administered by the Company's Board of Directors (the "Board"); provided, however, that in its discretion, the Board may delegate its authority under the Plan to a committee of the Board (the "Committee") composed solely of two or more "Non-Employee Directors" (as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or any applicable successor rule or regulation (the "Exchange Act")).

The Board (or Committee, as applicable) shall have complete and final authority to: (i) interpret all terms and provisions of the Plan; (ii) select from the group of key and middle level executives eligible to participate in the Plan the executives to whom Options will be granted; (iii) subject to the terms of the Plan, establish the terms and conditions of each Option, including without limitation the number of Shares subject to the Option, the term of the Option, and any schedule for or conditions of the exercise of the Option; (iv) prescribe the form of instrument(s) evidencing Options granted under the Plan; (v) determine the time or times at which Options will be granted; (vi) make special grants of Options as the Board (or Committee, as applicable) may determine to be appropriate; (vii) determine the method of exercise of Options granted under the Plan; (viii) adopt, amend and rescind general and special rules for the Plan's administration; and (ix) make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

Unless the bylaws or a resolution of the Board provides otherwise, any action that the Board (or Committee, as applicable) is authorized to take may be taken without a meeting if all the member of the Board (or Committee, as applicable) sign a written document authorizing such action.

The Board (or Committee, as applicable) may designate selected Board members or certain employees of the Company to assist the Board (or Committee, as applicable) in the administration of the Plan and may grant authority to such persons to execute documents, including Options, on behalf of the Board (or Committee, as applicable).

No member of the Board shall be liable for any action taken or determination made in good faith in connection with the Plan.

3. ELIGIBILITY AND FACTORS TO BE CONSIDERED IN GRANTING OPTIONS.

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Key or middle level executive, whether or not officers or members of the Board, of the Company and its Subsidiaries who have the greatest impact on the Company's long-term performance shall be eligible to receive Options under the Plan. In determining the key and middle level executives to which Options will be granted and the number of shares subject to each Option, the Board (or Committee, as applicable) shall take into account the level and responsibility of the executive's position, the executive's performance, the assessed potential of the executive and such other factors as the Board (or Committee, as applicable) may deem relevant to the accomplishment of the purposes of the Plan. Options may be granted under the Plan only for reasons connected with an executive's employment with the Company or a Subsidiary.

Directors of the Company or any Subsidiary who are not also employees of the Company or any of its Subsidiaries are not eligible to participate in the Plan.

#### 4. SHARES SUBJECT TO THE PLAN.

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Subject to the provisions of Section 14, the aggregate number of Shares with respect to which Options may be granted under the Plan shall not exceed 500,000 Shares. If an Option expires, terminates or is surrendered without having been fully exercised, any Shares subject to the Option with respect to which the Option was not exercised shall again be available for purposes of this Plan. The Board (or Committee, as applicable) shall maintain records showing the cumulative total of all Shares subject to outstanding Options.

#### 5. DESIGNATION OF OPTIONS; NUMBER OF SHARES.

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Subject to the terms of the Plan, the Board (or Committee, as applicable) may, in its sole discretion, grant Options to eligible participants.

In granting Options, the Board (or Committee, as applicable) shall clearly indicate as to each Option whether the Option is an incentive stock option ("ISO") or a non-qualified stock option ("NQO"). The Board (or Committee, as applicable) may grant both ISOs and NQOs to the same executive, provided that the ISOs and NQOs are granted separately. The Board (or Committee, as applicable) shall not designate an Option as an ISO unless the terms of the Option comply with all of the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

Subject to Section 4., the Board (or Committee, as applicable) may grant Options to eligible participants with respect to such number of Shares as the Board (or Committee, as applicable), in its sole discretion, may determine; provided, that no participant may be awarded Options during any calendar year with respect to an aggregate (subject to Section 14) of more than 125,000 shares of common stock.

With respect to Options designated as ISOs, the aggregate fair market value (determined at the Options' respective dates of grant in accordance with Section 422(c)(7) of the Code) of the Shares with respect to which such Options are exercisable for the first time by a participant during any calendar year (under all plans taken into account pursuant to Section 422(d) of the Code) shall not exceed \$100,000.

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#### 6. EXERCISE PRICE.

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The price per Share at which each Option may be exercised shall be the price determined by the Board (or Committee, as applicable) at the time of grant based on such criteria as may be adopted by the Board (or Committee, as applicable) in good faith, but in no event shall the exercise price per share of an Option be less than the par value of a Share or less than fifty percent (50%) of the fair market value of a Share at the time such Option is granted. In addition, (i) the exercise price per share for any ISO shall be not less than the fair market value of a Share (determined in accordance with Section 422(c)(7) of the Code) at the time such Option is granted; (ii) the exercise price per share for any ISO shall be not less than 110% of the fair market value



of a Share (determined in accordance with Section 422(c)(7) of the Code) at the time such Option is granted if immediately prior to the grant, the recipient is a person who beneficially owns (determined in accordance with Section 424 of the Code) stock having more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company (determined in accordance with Section 424(d) of the Code) (a "10% Owner"); and (iii) the exercise price per share shall be not less than the fair market value of a Share at the time the Option is granted for any grant that is intended to qualify as "performance-based compensation" under Section 162(m)(4)(C) of the Code and the regulations promulgated thereunder.

#### 7. TERM.

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The term of each Option shall be established by the Board (or Committee, as applicable) but shall not exceed ten (10) years from the date of grant. In addition, no ISO granted to a participant who is a 10% Owner shall have a term exceeding five (5) years from the date of grant.

#### 8. TIME OF GRANT.

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The date of grant of an Option for all purposes shall be the date on which the Board (or Committee, as applicable) approves the grant of the Option. Notice of the grant shall be given to each Option recipient (each a "Grantee") within a reasonable time after the date of grant.

#### 9. TRANSFER.

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An Option shall not be transferable by the Grantee except by will or the laws of descent and distribution. During the Grantee's lifetime, an Option may only be exercised by the Grantee.

#### 10. EXERCISE.

- - - - -

Subject to the terms of the Plan, an Option may be exercisable at such time or times after the date of grant and upon such conditions and according to such schedule as may be determined by the Board (or Committee, as applicable) at the time of grant.

At the time of grant of each Option, the Board (or Committee, as applicable) shall determine, and the written Option agreement or letter shall set forth, the effect on the Option of the termination of the Grantee's employment with the Company or any of its Subsidiaries for any reason other than death or permanent and total disability with the meaning of Section 22(e)(3) of the Code (or any

successor provision). In the discretion of the Committee, such effect may include immediate expiration of the Option or expiration of the Option at the end of a period of time (not to exceed either three months or the stated term of the Option) immediately following such termination of employment. In no event shall the Grantee be able to exercise an Option for more Shares than the number of shares for which the Option could have been exercised at the time the Grantee ceased to be an employee.

If a Grantee dies while in the employ of the Company or a Subsidiary, or (if the Board (or Committee, as applicable) so determines at the time of grant) within three months after the termination of such employment, or if a Grantee terminates employment with the Company or a Subsidiary due to permanent and total disability (within the meaning of Section 22(e)(3) of the Code or any successor provision), the Grantee's Option(s) may be exercised by the Grantee or the Grantee's estate, as the case may be, during a period not exceeding one year after the date of the Grantee's death or termination of employment for the number of Shares for which the Option could have been exercised at the time the Grantee died or became permanently and totally disabled.

Notwithstanding any other provision of this Plan, in no event may an Option be exercised after the expiration of its stated term.

Upon any Change of Control, all outstanding Options, to the extent not

vested and/or exercisable, shall become immediately vested and exercisable in their entirety. "Change of Control" shall mean the occurrence of any one of the following: (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any "person" (within the meaning of Section 13(d) of the Exchange Act) other than one or more wholly-owned Subsidiaries of the Company; (b) the adoption of a plan relating to the liquidation or dissolution of the Company; (c) the first day on which a majority of the members of the Board are not Continuing Directors; or (d) the consummation of any transaction (including without limitation any merger, share exchange or consolidation) the result of which is that any "person" (as defined above), other than an Exempt Person or Exempt Persons, becomes, directly or indirectly, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that an entity or person shall be deemed to have "beneficial ownership" of all shares that any such entity or person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) of more than 30% of the outstanding common stock of the Company; provided that the transactions covered by this clause (d) shall not include the acquisition by the Company of its common stock; provided further, however, that if (x) any "person" (as defined above) becomes, directly or indirectly, the "beneficial owner" (as defined above) of more than 30% of the outstanding common stock of the Company solely as a result of acquisition by the Company of its common stock, (y) such "person" thereafter acquires any additional shares of common stock of the Company and (z) immediately after such acquisition such "person" is, directly or indirectly, the "beneficial owner" (as defined above) of 30% or more of the outstanding common stock of the Company, then such additional acquisition shall constitute a Change of Control.

"Exempt Person" shall mean (a) the Company, (b) any wholly-owned Subsidiary of the Company, (c) any individual who immediately before the transaction is an executive officer of the Company, (d) any employee benefit plan of the Company or any of its wholly-owned Subsidiaries or (e) any entity or person holding shares of common stock for or pursuant to the terms of any such plan if such entity or person is not a beneficiary of or participant in such plan.

"Continuing Directors" shall mean, as of any date, any member of the Board who (i) was a

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member of the Board on the date this Plan was adopted by the Board or (ii) was nominated for election or elected to the Board with the approval of a majority of the Continuing Directors who were members of the Board at the time of such nomination or election.

#### 11. METHOD OF EXERCISE.

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An Option shall be deemed exercised when (i) the Company receives written notice of the holder's decision to exercise the Option; (ii) the holder tenders to the Company payment in full in cash (or if the Board (or Committee, as applicable) so determines at the time of grant, in Shares) the aggregate exercise price for the Shares with respect to which the Option is to be exercised; (iii) the holder tenders to the Company payment in full in cash the amount of all federal and state withholding or other employment taxes applicable to the taxable income, if any, of the holder resulting from the exercise of the Option; and (iv) the holder complies with such other reasonable requirements as the Board (or Committee, as applicable) may establish.

An Option may be exercised for any lesser number of Shares than the full number for which it could have been exercised. Such a partial exercise shall not affect the right to exercise the Option from time to time with respect to the remaining Shares subject to the Option.

#### 12. CANCELLATION AND REPLACEMENT OF OPTIONS.

-----  
The Board (or Committee, as applicable) may at any time or from time to time permit a Grantee to voluntarily surrender any outstanding Options where such surrender is conditioned upon the granting to the Grantee of new Options for such number of Shares as the Board (or Committee, as applicable) may determine. The Board (or Committee, as applicable) may require a Grantee to surrender outstanding Options as a condition precedent to the grant of new

Options to such Grantee.

Subject to the terms of the Plan, the Board (or Committee, as applicable) shall determine the terms and conditions of any new Options, including the prices at and periods during which they may be exercised, all of which may differ from the terms and conditions of the Options surrendered. Any such new Options shall be subject to the Plan. The grant of new Options in connection with the surrender of outstanding Options shall be considered, for purposes of the Plan, as the grant of new Options and not as an alteration, amendment or modification of the Plan or the Options surrendered.

The Shares subject to any Options surrendered shall no longer be charged against the aggregate Share limit set forth in Section 4. and shall again be available for grants of Options under the Plan.

#### 13. TERMINATION OF OPTIONS.

-----

An Option shall be considered terminated in whole or in part to the extent that, in accordance with the provisions of the Plan, it can no longer be exercised with respect to Shares subject to the Option. The Shares subject to any Option, or portion thereof, that terminates shall no longer be charged against the aggregate Share limit set forth in Section 4. and shall again be available for the grant of Options under the Plan.

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#### 14. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

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In the event of any change in the characteristics of the Shares by reason of a stock dividend, recapitalization, merger, reorganization, consolidation, stock split, reverse stock split or any other similar event, the Shares subject to the Plan and the Shares subject to each outstanding Option shall be correspondingly increased, reduced or changed, such that by exercise of any outstanding Option, a Grantee will receive, without change in the aggregate purchase price, securities, as so increased, reduced or changed, comparable to the securities the Grantee would have received if the Grantee had exercised the Option prior to such event. In the case of an ISO, the foregoing sentence shall apply in the event of a merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, if the excess of the aggregate fair market value of the Shares subject to the Option immediately after such event over the aggregate exercise price of such Shares is not more than the excess of the aggregate fair market value of all Shares subject to the Option immediately prior to such event over the aggregate exercise price of such Shares.

Adjustments under this Section shall be made by the Board (or Committee, as applicable), whose determination as to the nature and extent of any adjustments shall be binding and final.

#### 15. COMPLIANCE WITH SECURITIES AND EXCHANGE COMMISSION AND OTHER REQUIREMENTS.

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No certificates for Shares shall be executed and delivered upon exercise of any Option unless and until the Company is able to take such action, if any, as is then required to comply with the Securities Act of 1933, as amended; the Exchange Act; the South Carolina Uniform Securities Act, as amended; any other applicable state securities laws and the requirements of any exchange on which the Shares may be listed.

In the case of the exercise of an Option by a person or estate acquiring the right to exercise the Option by bequest of inheritance, the Board (or Committee, as applicable) may require reasonable evidence as to the ownership of the Option and may require such consent and releases of taxing authorities as it may deem advisable.

#### 16. NO RIGHT TO EMPLOYMENT.

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Neither the adoption of the Plan nor its operation, nor any document describing or referring to the Plan, or any part thereof, shall confer upon any participant under this Plan any right to continue in the employ of the Company or any Subsidiary, or shall in any way affect the right and power of the Company or any Subsidiary to terminate the employment of any participant at any time

with or without cause, to the same extent as the Company or Subsidiary might have done if the Plan had not been adopted.

17. NO RIGHTS AS SHAREHOLDER.  
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No person, estate or other entity shall have any rights as a shareholder with respect to the Shares obtained as a result of the exercise of an Option until a certificate or certificates for the Shares have been received.

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18. AMENDMENT AND TERMINATION.  
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The Board may at any time suspend, amend or terminate this Plan. The Board (or Committee, as applicable) may make such modifications to the terms and conditions of any Option as it shall deem advisable. No Option shall be granted during any suspension or after termination of the Plan. Notwithstanding the foregoing provisions of this Section, no amendment, suspension or termination of the Plan and no modification of any Option shall, without the consent of the holder of an Option, alter or impair any rights or obligations under any Option granted prior to the effective date of the amendment, suspension or termination of the Plan or of the modification to the Option.

In addition to Board approval of an amendment to the Plan, the Board shall obtain such consent by the holders of the capital stock of the Company, if any, as may be required by applicable law, including without limitation Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, Sections 162(m) and 421 through 424 of the Internal Revenue Code.

19. USE OF PROCEEDS.  
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The proceeds received by the Company from the sale of Shares pursuant to the exercise of Options shall be used for general corporate purposes as determined by the Board.

20. INDEMNIFICATION OF BOARD.  
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In addition to such other rights of indemnification as they may have as members of the Board, the members of the Board (and the Committee, as applicable) shall, to the fullest extent permitted by law, be indemnified by the Company against the reasonable expenses, including attorneys' fees and legal costs, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action or omission in connection with the Plan or any Option, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it has been adjudged in such action, suit or proceeding that such Board or Committee member is liable for gross negligence or misconduct in the performance of such member's duties; provided that within 60 days after institution of any such action, suit or proceeding the Board or Committee member shall in writing offer the Company the opportunity, at the Company's own expense, to handle and defend the same.

21. EFFECTIVE DATE OF THE PLAN.  
-----

This Plan shall be effective February 15, 2000, subject to subsequent approval by the requisite shareholder vote no later than the next annual meeting of the shareholders of the Company. Any Options granted prior to such shareholder approval shall also be subject to shareholder approval of the Plan. If the Plan is not approved by the shareholders of the Company, the Plan shall terminate and any Options granted under the Plan shall expire.

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22. DURATION OF THE PLAN.

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Unless previously terminated by the Board, this Plan shall terminate at the close of business on February 15, 2010, and no Option may be granted under the Plan thereafter, but such termination shall not affect any Option granted prior to termination of the Plan.

23. GOVERNING LAW.  
-----

This Plan shall be governed, interpreted and enforced in accordance with the laws of South Carolina without regard to choice of law principles.

DELTA APPAREL, INC.  
INCENTIVE STOCK AWARD PLAN

Effective February 15, 2000  
Amended and Restated March 15, 2000

DELTA APPAREL, INC.  
INCENTIVE STOCK AWARD PLAN

ARTICLE I  
THE PLAN

Sec. 1.1 NAME.

This plan shall be known as the "Incentive Stock Award Plan" (the "Plan").

Sec. 1.2 PURPOSES

The purposes of the Plan are to establish or increase the equitable ownership in Delta Apparel, Inc. (the "Company") by key and middle level management employees of the Company and/or its subsidiaries and to provide incentives to key and middle level management employees of the Company and/or its subsidiaries through the prospect of such common stock ownership. By thus achieving ownership or the prospect of ownership of the Company's common stock by such employees, the Company expects to attract, retain and motivate exceptionally well qualified and competent individuals in key and middle level management positions.

ARTICLE II  
PARTICIPANTS

Sec. 2.1 ELIGIBILITY

Any officer or other key management employee or middle level management employee of the Company or any subsidiary shall be eligible to receive an Incentive Stock Award (an "Award").

ARTICLE III  
ADMINISTRATION

Sec. 3.1 SELECTION OF AWARDS

The Board of Directors (the "Board") of the Company shall have the authority from time to time to select key and middle level management employees ("Participants") to receive Awards and the number of shares to be awarded under each such Award. In its discretion, the Board may delegate its authority under the Plan to a committee of the Board (the "Committee") composed solely of two or more "Non-Employee Directors" (as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or any applicable successor rule or

regulation (the "Exchange Act").

### Sec. 3.2 INTERPRETATION OF PLAN

The Board (or Committee, as applicable) shall have full and final authority to interpret and administer the Plan and to determine and interpret the terms and conditions of each Incentive Stock Award Agreement.

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## ARTICLE IV SHARES ELIGIBLE TO BE GRANTED UNDER THE PLAN

### Sec. 4.1 NUMBER OF SHARES

Subject to the provisions of Section 4.2, the aggregate number of shares of common stock of the Company which may be awarded under the Plan shall not exceed 200,000 shares. Such shares may be either shares previously issued and thereafter acquired by the Company or they may be authorized but unissued shares. Any shares covered by an Award (or portion thereof) that have been forfeited pursuant to the provisions of the applicable Incentive Stock Award Agreement shall again become available for the purposes of the Plan.

### Sec. 4.2 ANTI-DILUTION

In the event that the outstanding shares of common stock of the Company hereafter are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, or cash or other property, by reason of a merger, consolidation, reorganization, recapitalization, reclassification, combination of shares, stock split, stock dividend or similar event:

(a) the aggregate number and kind of shares subject to Awards which shall have been or may thereafter be granted hereunder shall be adjusted appropriately; and

(b) the new, additional or different shares and securities and the cash and other property into which the shares subject to outstanding Awards would have been converted (had the shares covered by such Awards been outstanding) shall be considered to be property granted by and subject to the Awards and shall be subject to all of the conditions and restrictions applicable to such Awards and the shares subject to such Awards.

The foregoing adjustments and the manner of application of the foregoing provisions shall be determined solely by the Board (or Committee, as applicable), and any such adjustment may provide for the elimination of fractional shares or security interests.

## ARTICLE V AWARD

### Sec. 5.1 AWARD GRANT

The Board (or Committee, as applicable) shall determine from time to time who is to be a Participant and the number of shares to be awarded; provided, that during any calendar year no Participant may be awarded an aggregate of more than 20,000 shares of common stock under the Plan. Such determination shall be recorded in the minutes of the meeting at which such determination was made.

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### Sec. 5.2 INCENTIVE STOCK AWARD AGREEMENT

A Participant shall be entitled to receive an Award only upon execution of an Incentive Stock Award Agreement with the Company. Such Incentive Stock Award Agreement shall be substantially in the form attached hereto but may be modified from time to time by the Board (or Committee, as applicable) consistent with the terms of this Plan.

### Sec. 5.3 CASH PURCHASE PRICE OF STOCK

The cash purchase price to be paid by each Participant in connection with receiving shares covered by an Award (or portion thereof) that has vested

pursuant to the provisions of an Incentive Stock Award Agreement shall be \$0.01 per share and such sum shall be payable prior to issuance to the Participant of the certificate(s) representing such shares.

#### Sec. 5.4 FORFEITURE OF AN AWARD (OR PORTION THEREOF)

The Incentive Stock Award Agreement shall set forth the circumstances under which the Award granted thereby (or portion thereof) shall be forfeited. These circumstances (i) may include the termination of employment of the Participant with the Company, or any subsidiary thereof, for any reason other than death, retirement or permanent total disability, prior to the date set forth in the Incentive Stock Award Agreement when the Award (or relevant portion thereof) shall vest, and (ii) may include such additional circumstances as may be deemed appropriate by the Board (or Committee, as applicable). The forfeiture circumstances may vary among the shares covered by an Award. In the event an Award (or portion thereof) shall be forfeited pursuant to the terms of the applicable Incentive Stock Award Agreement, the Participant shall immediately have no further rights under such Award (or portion thereof) or in the shares covered thereby.

#### Sec. 5.5 VESTING OF AN AWARD (OR PORTION THEREOF)

(a) The Incentive Stock Award Agreement shall set forth the circumstances under which the Award granted thereby (or portion thereof) shall vest. With respect to any Award (or portion of an Award) intended to qualify as "performance-based compensation" under Section 162(m)(4)(C) of the Code and the regulations promulgated thereunder, (i) these circumstances shall consist of the achievement of one or more performance-based goals established by the Committee, and such performance-based goals shall be based on one of, or a combination of, the following factors, as the Committee deems appropriate: total stockholder return; revenues, sales, net income, EBIT, EBITDA, stock price, and/or earnings per share; return on assets, net assets, and/or capital; return on stockholders' equity; debt/equity ratio; working capital; safety; quality; the Company's financial performance or the performance of the Company's stock versus peers; cost reduction; productivity; market mix; or economic value added; (ii) the Committee shall establish the performance-related goals in writing no later than 90 days after the commencement of the period of service to which the Award relates (and in all events before 25% of the period of service has elapsed); and (iii) the Award shall be made by a Committee, which shall consist solely of two or more directors who are "outside directors" within the meaning of Treasury Regulation Section 1.162-27(e)(3). The vesting circumstances may vary among the shares covered by an Award.

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(b) In the event an Award (or portion thereof) shall vest pursuant to the terms of the applicable Incentive Stock Award Agreement, the Company shall issue and deliver, or cause to be issued and delivered, to the Participant or his or her legal representative, free from any legend and any other restriction (other than those required by federal or state securities laws or any other applicable law), certificate(s) for the number of shares covered by the vested portion of the Award, subject to receipt by the Company of the cash purchase price described in Section 5.3 above. In addition, at or about such time the Company shall pay the Participant in cash an amount that will be approximately sufficient, after the payment of all applicable federal and state income taxes, to pay the federal and state income taxes which the Participant will incur by virtue of the vesting of such Award (or portion thereof). With respect to any Award (or portion of an Award) intended to qualify as "performance-based compensation" under Section 162(m)(4)(C) of the Code and the regulations promulgated thereunder, no issue of shares, delivery of any certificates or payments shall occur, however, unless and until the Board (or the Committee, as applicable) has previously certified in writing that the relevant performance-based goal(s) have been met.

(c) No stock certificate shall be delivered to a Participant or his or her legal representative unless and until the Participant or his or her legal representative shall have paid to the Company in cash the full amount of all federal and state withholding or other employment taxes applicable to the taxable income of such Participant resulting from the vesting of such Award (or portion thereof).

(d) (i) Upon any Change of Control, all outstanding Awards, to the



extent not vested, shall become immediately vested in their entirety. "Change of Control" shall mean the occurrence of any one of the following: (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to any "person" (within the meaning of Section 13(d) of the Exchange Act) other than one or more wholly-owned subsidiaries of the Company; (b) the adoption of a plan relating to the liquidation or dissolution of the Company; (c) the first day on which a majority of the members of the Board are not Continuing Directors; or (d) the consummation of any transaction (including without limitation any merger, share exchange or consolidation) the result of which is that any "person" (as defined above), other than an Exempt Person or Exempt Persons, becomes, directly or indirectly, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that an entity or person shall be deemed to have "beneficial ownership" of all shares that any such entity or person has the right to acquire, whether such right is exercisable immediately or only after the passage of time) of more than 30% of the outstanding common stock of the Company; provided that the transactions covered by this clause (d) shall not include the acquisition by the Company of its common stock; provided further, however, that if (x) any "person" (as defined above) becomes, directly or indirectly, the "beneficial owner" (as defined above) of more than 30% of the outstanding common stock of the Company solely as a result of acquisition by the Company of its common stock, (y) such "person" thereafter acquires any additional shares of common stock of the Company and (z) immediately after such acquisition such "person" is, directly or indirectly, the "beneficial owner" (as defined above) of 30% or more of the outstanding common stock of the Company, then such additional acquisition shall constitute a Change of Control.

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(ii) "Exempt Person" shall mean (a) the Company, (b) any wholly-owned subsidiary of the Company, (c) any individual who immediately before the transaction is an executive officer of the Company, (d) any employee benefit plan of the Company or any of its wholly-owned subsidiaries or (e) any entity or person holding shares of common stock for or pursuant to the terms of any such plan if such entity or person is not a beneficiary of or participant in such plan.

(iii) "Continuing Directors" shall mean, as of any date, any member of the Board who (i) was a member of the Board on the date this Plan was adopted by the Board or (ii) was nominated for election or elected to the Board with the approval of a majority of the Continuing Directors who were members of the Board at the time of such nomination or election.

#### Sec. 5.6 NO RIGHTS AS SHAREHOLDER

Until the issuance and delivery to the Participant of certificate(s) for such shares by reason of the vesting of an Award (or portion thereof) and payment of the applicable cash purchase price, the Participant shall have none of the rights of a shareholder with respect to the shares covered by an Award.

### ARTICLE VI STOCK CERTIFICATE

#### Sec. 6.1 STOCK CERTIFICATES

The Company shall not be required to issue or deliver, or cause to be issued or delivered, any certificate for shares of stock of the Company pursuant to an Incentive Stock Award Agreement executed hereunder prior to fulfillment of all of the following conditions:

(a) the admission of such shares to listing on any over-the-counter markets and stock exchanges on which the Company's stock is then traded or listed;

(b) the completion of any registration or other qualification of such shares under any federal or state law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Board (or Committee, as applicable) in its sole discretion deems necessary or advisable;

(c) the obtaining of any approval or other clearance from any federal or state governmental agency which the Board (or Committee, as applicable) shall in its sole discretion determine to be necessary or advisable; and

(d) the lapse of such reasonable period of time following the vesting of an Award (or portion thereof) as the Board (or Committee, as applicable) from time to time may establish for reasons of administrative convenience.

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ARTICLE VII  
TERMINATION, AMENDMENT AND MODIFICATION OF PLAN

Sec. 7.1 TERMINATION, AMENDMENT AND MODIFICATION OF PLAN

The Board (or Committee, as applicable) may at any time and from time to time and in any respect amend, modify or terminate the Plan; provided, however, that no such action of the Board (or Committee, as applicable) without approval of the shareholders of the Company may:

(a) increase the total number of shares of common stock covered by the Plan except as contemplated in Section 4.2 hereof; or

(b) change the \$0.01 per share cash purchase price under Section 5.3;

provided further, that no termination, amendment or modification of the Plan shall in any manner, without the consent of the Participant, affect any Award previously made to a Participant under the Plan.

ARTICLE VIII  
MISCELLANEOUS

Sec. 8.1 EMPLOYMENT

Nothing in this Plan or in any Award granted hereunder or in any Incentive Stock Award Agreement relating thereto shall confer upon any employee the right to continue in the employ of the Company or any subsidiary.

Sec. 8.2 OTHER COMPENSATION PLANS

The adoption of this Plan shall not affect any other existing incentive or compensation plans of the Company or any subsidiary, nor shall this Plan preclude the Company from establishing any other forms of incentive or other compensation for employees of the Company or any subsidiary.

Sec. 8.3 PLAN BINDING ON SUCCESSORS

This Plan shall be binding upon the successors and assigns of the Company.

Sec. 8.4 SINGULAR, PLURAL; GENDER; HEADINGS

Whenever used herein, nouns in the singular shall include the plural, and the masculine pronoun shall include the feminine gender. The headings in this Plan or any Incentive Stock Award Agreement are and shall be for reference purposes only and shall not affect the meaning or interpretation hereof or thereof.

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Sec. 8.5 AWARD NOT TRANSFERABLE

A Participant shall have no right to transfer, assign or hypothecate an Award or, until the portion of an Award covering such shares shall vest, the shares covered by an Award, other than by will or the laws of descent and distribution, and the rights of any purported owner, holder, pledgee or any other person in possession of or claiming any right in such Award or shares shall at all times be subject to the provisions of this Plan and the applicable Incentive Stock Award Agreement.

Sec. 8.6 GOVERNING LAW

This Plan shall be governed, interpreted and enforced in accordance with the laws of South Carolina without regard to choice of law principles.

DELTA APPAREL, INC.  
DEFERRED COMPENSATION PLAN  
FOR  
KEY MANAGERS

Effective [ ], 2000

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DELTA APPAREL, INC.  
DEFERRED COMPENSATION PLAN  
FOR  
KEY MANAGERS

EFFECTIVE [ \_\_\_\_\_, 2000]

PREAMBLE

The Participating Companies have established this Plan to contribute to their long-range growth. It is the intention of the parties that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA. A Participating Company shall be liable only with respect to obligations incurred pursuant to this Plan for its own Employees; no Participating Company shall be liable with respect to benefits due an Employee of any other Participating Company. Under the Plan, each year, each Participating Company awards a select group of its key Employees with deferred benefits based on the Employee's Elective and Deemed Deferrals for the year. Such benefits are normally payable by that Participating Company to its Employees or their beneficiaries upon Retirement, Disability, death, or other Termination of Service.

ARTICLE I. REFERENCES, CONSTRUCTION AND DEFINITIONS

Unless otherwise indicated, all references to articles, sections and subsections shall be to the Plan as set forth herein. The Plan and all rights thereunder shall be construed and enforced in accordance with ERISA and the laws of the State of South Carolina, to the extent that each may be applicable. The article titles and the captions preceding sections and subsections have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provisions. Whenever used herein, the singular includes the plural, the masculine includes the feminine. Whenever used herein and capitalized, the following terms shall have the respective meaning indicated unless the context plainly requires otherwise.

- 1.1 ADJUSTMENT DATE. The last day of each calendar quarter, the date of a Trigger Event, and such other times as the Committee shall establish.
- 1.2 BENEFICIARY. The beneficiary or beneficiaries designated by a Participant pursuant to ARTICLE VI to receive the amount, if any, payable under the Plan upon the death of such Participant, or, where there has been no such designation or an invalid designation, the individual or entity, or the individuals or entities, who will receive such amount.
- 1.3 BOARD. The respective Boards of Directors of each of the Participating Companies.
- 1.4 CODE. The Internal Revenue Code of 1986, as amended. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.
- 1.5 COMMITTEE. The committee which administers the Plan and which is more particularly described in ARTICLE VII below. The Committee shall be constituted by the individuals who hold the following offices of Delta Apparel, Inc.: Chief Financial Officer, Vice President - Manufacturing, Vice President - Human Resources and Benefits Coordinator.
- 1.7 COMPENSATION. Compensation with respect to any Participant means such Participant's wages as defined in Code Section 3401(a) and all other payments of compensation by a Participating Company (in the course of the

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Participating Company's business for a Plan Year for which the Participating Company is required to furnish the Participant a written statement under Code Sections 6041(d), 6051(a)(3) and 6052). The determination of Compensation shall be made by excluding moving expenses, income from stock options, income from stock awards, income from incentive stock awards.

- 1.8 DEEMED DEFERRALS. With respect to a Participant, an amount equal to the sum of subsections (a) and (b) below:

(a) During each Plan Year, the difference between:

- (i) the Nonelective Contribution and forfeitures allocation for the Plan Year which would have been credited to the account of the Participant in the Savings Plan had the Participant's Elective Deferrals under this Plan counted as compensation under the Savings Plan for the Plan Year and had there been disregarded the compensation and annual addition limitations of Sections 401(a)(17) and 415 of the Code and the corresponding provisions of the Savings Plan, and
  - (ii) the Nonelective Contribution and forfeitures for the Plan Year actually credited to the Participant's account in the Savings Plan; plus
- (b) Subject to the limitations set forth in subsection (b)(ii) below, and less the amount set forth in subsection (b)(iii) below, during each Plan Year, the following amount:

- (i) effective as of July 1, 1999, an amount equal to the following percentage of the Participant's Elective 401(k) Deferrals for such Plan Year:

# Years of Service	% of the Participant's Elective 401(k) Deferrals
0-5	25%
5-10	30%
11-15	35%
16 and over	40%

- (ii) The amount computed under subsection (b)(i) above shall be limited as follows:
  - (A) the above percentages shall not be applied to any portion of the Participant's Elective 401(k) Deferrals which exceeds four percent (4%) of the Participant's Compensation, and in computing the Participant's Compensation, there shall be disregarded any portion of Compensation which exceeds an amount equal to the compensation limitation of Section 401(a)(17) of the Code as adjusted as of the start of the Plan Year (e.g., \$160,000 for 1998);
  - (B) the above percentages shall not be applied to any portion of the Participant's Elective 401(k) Deferrals which exceeds an amount equal to the amount set forth in Code Section 402(g)(1) as adjusted as of the start of the Plan Year (e.g., \$10,000 for 1998); and
  - (C) for purposes of the above formula, "Years of Service" shall be calculated from the Participant's most recent date of hire. With respect to a Participant who (i) was employed by an entity that was a Participating Company (the "Prior Employer") under the Delta Woodside Group Deferred Compensation Plan for Key Managers on January 1, 2000 and

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- (ii) in connection with the distribution from Delta Woodside Industries, Inc. to its shareholders of all of the stock of Delta Apparel, Inc. and DH Apparel Company, Inc. on [\_\_\_\_\_, 2000] (the "DWI Reorganization") became an employee of the Participating Company (under this Plan) by which the Participant is currently employed, the "most recent date of hire" shall be the most recent date of hire of the Participant by the Prior Employer preceding the DWI Reorganization.
- (iii) from the amount computed pursuant to subsection (b)(i) above (and as limited as provided in subsection (b)(ii) above), the amount of any matching contribution allocated to the Participant's account under the Savings Plan for the Plan Year shall be subtracted.

1.9 DEFERRAL ACCOUNT. With respect to each Participant, the separate bookkeeping account (consisting of the Participant's Lump Sum Account, Installment Account and Level-Payment Installment Account) to be kept with respect to such Participant.



- 1.10 DEFERRAL ELECTION. An irrevocable election by a Participant to defer a portion of Compensation for a Plan Year, such election to be made in the manner prescribed in Section 2.3. Amounts so deferred are "Elective Deferrals."
- 1.11 DISABILITY. A physical or mental condition under which the Employee qualifies for disability benefits under the long-term disability plan of the Participating Company which employs the Employee; provided, however, if the Employee is not covered by such plan, the Employee shall be under a Disability if he would have qualified for disability benefits under the plan were he covered by the plan; provided, further, if there is no such plan, the Employee shall be under a Disability if the Committee, in the exercise of its sole and absolute discretion, determines based upon competent medical evidence satisfactory to the Committee that the Employee, after 60 days following the expiration of any sick pay to which the Participant may be entitled, cannot perform each of the material duties of the Employee's regular occupation by reason of sickness or injury .
- 1.12 EFFECTIVE DATE. The Effective Date of this Plan is [\_\_\_\_\_, 2000].
- 1.13 ELECTIVE DEFERRALS. With respect to a Participant for a Plan Year, the amount of the Participant's Compensation deferred pursuant to a Deferral Election.
- 1.14 ELECTIVE 401(K) DEFERRALS. With respect to a Participant for a Plan Year, the Participant's elective deferrals under the Savings Plan for the plan year of the Savings Plan corresponding to the Plan Year.
- 1.15 EMPLOYEE. An individual in the service of the Participating Company if the relationship between him and the Participating Company is the legal relationship of employer and employee.
- 1.16 EMPLOYMENT YEAR. The 12-month period beginning on the Employee's date of hire.
- 1.17 ERISA. The Employee Retirement Income Security Act of 1974, as amended. All citations to sections of ERISA are to such sections as they may from time to time be amended or renumbered.
- 1.18 HOUR OF SERVICE. An Hour of Service means (1) each hour for which an Employee is directly or indirectly compensated or entitled to compensation by a Participating Company for the performance of duties during the applicable computation period; (2) each hour for which an Employee is directly or indirectly compensated or entitled to compensation by a Participating Company (irrespective of whether the

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employment relationship has terminated) for reasons other than performance of duties (such as vacation, holidays, sickness, jury duty, disability, lay-off, military duty or leave of absence) during the applicable computation period; (3) each hour for which back pay is awarded or agreed to by a Participating Company without regard to mitigation of damages. These hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made. The same Hours of Service shall not be credited both under (1) or (2), as the case may be, and under (3).

- 1.19 INSTALLMENT ACCOUNT. With respect to each Participant, the account described in Section 3.3 below.
- 1.20 INTEREST EQUIVALENT. With respect to each Adjustment Date, the dollar amount to be added to the Participant's Lump Sum Account, Installment Account or Level-Payment Installment Account, as the case may be, equal to the product of the amount credited to the account as of the next preceding Adjustment Date reduced by one-half of the amount of benefit payments made since the next preceding Adjustment Date (i.e., during the "current calendar quarter") and increased by one-half of the Elective and Deemed Deferrals for the "current calendar quarter" allocable to such account, times the greater of (i) the Average AAA Corporate Bond Yield last published by Moody's Bond Survey before the next preceding Adjustment Date or (ii) such other interest or yield rate as the Committee may designate for the Plan Year ending on such Adjustment Date.

- 1.21 LUMP SUM ACCOUNT. With respect to each Participant, the account described in Section 3.2 below.
- 1.22 MONTH OF SERVICE. A Month of Service means a calendar month during any part of which an Employee completed an Hour of Service; provided, however, that a Participant shall be credited with a Month of Service for each month during the 12-month computation period in which he has not incurred a 1-Year Break in Service.
- 1.23 NAMED FIDUCIARY. Delta Apparel, Inc.
- 1.24 PARTICIPANT. An Employee who has been notified pursuant to Section 2.1 that he is eligible to participate in the Plan and who has made a Deferral Election and any former Employee who has a Deferral Account under the Plan.
- 1.25 PARTICIPATING COMPANY. Delta Apparel, Inc. The term "Participating Company" shall be construed as if the Plan were solely the Plan of such Participating Company, unless the context plainly requires otherwise. Notwithstanding anything herein to the contrary, with the consent of Delta Apparel, Inc., any other corporation or entity, whether an affiliate or subsidiary or not, may adopt this plan and all of the provisions hereof, and participate herein and be known as a Participating Company.
- 1.26 PLAN. The Delta Apparel, Inc. Deferred Compensation Plan for Key Managers as contained herein and as may be amended from time to time hereafter.
- 1.27 PLAN ADMINISTRATOR. The Committee.
- 1.28 PLAN YEAR. The period commencing January 1 and ending on the first December 31 thereafter.
- 1.29 RETIREMENT. Termination of Service, other than on account of death, after attaining age 62.

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- 1.30 SAVINGS PLAN. The Delta Apparel, Inc. Savings and Investment Plan, a 401(k) profit-sharing plan qualified under Section 401(a) of the Code, and any successor plan.
- 1.31 TERMINATION OF SERVICE. Termination of the Participant's employment with a Participating Company for any reason; provided, however, that the transfer of an Employee from employment by one Participating Company or affiliated company to employment by another Participating Company or affiliated company shall not constitute a Termination of Service.
- 1.32 TRIGGER EVENT. A Trigger Event is either of the following: (a) The first date on which Delta Apparel, Inc. is in default of any Financial Covenant and has not cured such default by the expiration of the applicable period for cure, if any, for such a default. At any time, "Financial Covenant" shall mean any financial covenant that is established by and set forth in the written terms and conditions governing the Company's primary revolving debt facility in existence at such time. The term "Financial Covenant" is intended to include financial covenants of the type customarily included in revolving credit facilities, such as covenants based on leverage ratios, fixed charge coverage ratios, minimum corporate net worth and the like; provided, that the Trigger Event described in this Section 1.32(a) shall constitute a Trigger Event for purposes of this Plan only with respect to benefits accrued under the Plan after the date that Delta Woodside Industries, Inc. distributes to its shareholders all of the stock of Delta Apparel, Inc. and DH Apparel Company, Inc. in connection with the DWI Reorganization; and, (b) Any other event designated as a "Trigger Event" by action of the Board of a Participating Company in the exercise of its sole and absolute discretion. No event shall qualify as a Trigger Event merely because the Board has previously designated one or more similar events as a Trigger Event.
- 1.33 YEAR OF SERVICE. Any twelve consecutive Months of Service. For vesting purposes, the computation period shall be the Employment Year. For purposes of Deemed Deferrals only, the computation period shall be the Employment Year; however, only Years of Service from the Participant's most recent date of hire shall be considered; provided that with respect to a Participant who (i) was employed by an entity that was a Participating Company (the "Prior Employer") under the Delta Woodside Group Deferred

Compensation Plan for Key Managers on January 1, 2000 and (ii) in connection with the DWI Reorganization, became an employee of the Participating Company (under this Plan) by which the Participant is currently employed, the "most recent date of hire" shall be the most recent date of hire of the Participant by the Prior Employer preceding the DWI Reorganization. For all other purposes, the computation period shall be the Plan Year.

## ARTICLE II. ELIGIBILITY AND PARTICIPATION

- 2.1 ELIGIBILITY. Such Employees as the Committee designates shall be eligible to participate in this Plan; provided, however, that no Employee who is not a member of the "select group of management" or a "highly compensated employee," as defined in Sections 201(2), 301(a)(3) and 401(a) of ERISA shall be eligible to become a Participant.
- 2.2 PARTICIPATION. The Committee shall notify each Employee selected to be a Participant of the Employee's eligibility, and an Employee so notified shall become a Participant by making a Deferral Election.
- 2.3 ELECTIVE DEFERRALS. For each Plan Year, each eligible Employee is entitled to make a Deferral Election, in such manner and form as the Committee prescribes, to defer Compensation for the Plan Year. Except in the case of an "unforeseeable emergency" as defined in Section 5.4 below, such election shall be irrevocable during the Plan Year. Deferral Elections shall be made as follows: (a) within 30 days following the adoption of this Plan to defer Compensation to be earned subsequent to the Deferral Election for the remainder of such

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Plan Year; (b) within 30 days following the date on which an Employee first becomes eligible to participate in this Plan to defer compensation to be earned subsequent to the Deferral Election for the remainder of such Plan Year; or (c) in all other cases on or before December 31 to defer compensation to be earned in succeeding Plan Years. The foregoing notwithstanding, each eligible Employee may make a special Deferral Election with respect to each bonus to which the Employee becomes entitled, provided that such Deferral Election is made before the Employee earns such bonus.

- 2.4 LIMITATIONS ON ELECTIVE DEFERRALS. The maximum amount of Elective Deferrals a Participant may make for a Plan Year shall be One Hundred percent (100%) of the Participant's Compensation which would otherwise be paid to the Participant during the Plan Year and which is not subject to another deferral agreement or other withholding.
- 2.5 DEEMED DEFERRALS. In addition to any Elective Deferrals, for each Plan Year for which a Participant has made a Deferral Election, the Participant shall receive credit for Deemed Deferrals.
- 2.6 METHOD-OF-PAYMENT ELECTION. Contemporaneously with the making of each Deferral Election, the Participant shall designate on a form prescribed by the Committee for such purpose whether the benefits pursuant to such Deferral Election are to be paid in a single sum, installments or level-payment installments, as provided in Section 5.1(a). If a Participant fails to make such method-of-payment election, the Participant shall be deemed to have elected installment payments.

## ARTICLE III. ACCOUNTS OF PARTICIPANTS

- 3.1 ACCOUNTS. The Committee shall establish and cause to be maintained three separate accounts for each Participant to be known respectively as the Participant's "Lump Sum Account," "Installment Account," and "Level-Payment Installment Account."
- 3.2 ACCOUNTING OF LUMP SUM ACCOUNT. As of each Adjustment Date, the Committee shall debit and credit each Participant's Lump Sum Account in the following order:
  - (A) PAYMENTS. There shall be debited the amount of benefit payments made to or on behalf of the Participant or the Participant's Beneficiary during the Plan Year ending on the Adjustment Date (i.e., the "current

calendar quarter") and allocable to such Lump Sum Account.

- (B) INTEREST EQUIVALENT. The Committee, in the exercise of its sole and absolute discretion, shall determine the Interest Equivalent for the "current calendar quarter" and there shall be credited the Interest Equivalent, if any, for such Lump Sum Account.
- (C) ELECTIVE DEFERRALS. If the Participant elected pursuant to Section 2.6 for benefits payable under a Deferral Election for the "current Plan Year" to be paid in a single sum, then there shall be credited the Participant's Elective Deferrals made pursuant to such Deferral Election for the "current Plan Year."
- (D) DEEMED DEFERRALS. If the Participant elected pursuant to Section 2.6 for benefits payable under a Deferral Election for the "current Plan Year" to be paid in a single sum, then there shall be credited the Participant's Deemed Deferrals relating to such Deferral Election.
- (E) ADMINISTRATIVE EXPENSES. The Committee, in the exercise of its sole and absolute discretion, shall determine the amount of the expenses each Participating Company incurred for the "current Plan Year" in

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administering the Plan. There shall be debited such portion of the amount of such administrative expenses as the Committee determines, in the exercise of its sole and absolute discretion, to be equitable.

3.3 ACCOUNTING OF INSTALLMENT ACCOUNT. As of each Adjustment Date, the Committee shall debit and credit each Participant's Installment Account in the following order:

- (A) PAYMENTS. There shall be debited the amount of benefit payments made to or on behalf of the Participant or the Participant's Beneficiary during the Plan Year ending on the Adjustment Date (i.e., the "current calendar quarter") and allocable to such Installment Account.
- (B) INTEREST EQUIVALENT. The Committee, in the exercise of its sole and absolute discretion, shall determine the Interest Equivalent for the "current calendar quarter" and there shall be credited the Interest Equivalent, if any, for such Installment Account on the last day of the calendar quarter.
- (C) ELECTIVE DEFERRALS. If the Participant elected pursuant to Section 2.6 for benefits payable under a Deferral Election for the "current Plan Year" to be paid in installments, then there shall be credited the Participant's Elective Deferrals made pursuant to such Deferral Election for the "current Plan Year."
- (D) DEEMED DEFERRALS. If the Participant elected pursuant to Section 2.6 for benefits payable under a Deferral Election to be paid in installments, then there shall be credited for the "current Plan Year" the Participant's Deemed Deferrals relating to such Deferral Election.
- (E) ADMINISTRATIVE EXPENSES. The Committee, in the exercise of its sole and absolute discretion, shall determine the amount of the expenses each Participating Company incurred for the "current Plan Year" in administering the Plan. There shall be debited such portion of the amount of such administrative expenses as the Committee determines, in the exercise of its sole and absolute discretion, to be equitable.

3.4 ACCOUNTING OF LEVEL-PAYMENT INSTALLMENT ACCOUNT. As of each Adjustment Date, the Committee shall debit and credit each Participant's Level-Payment Installment Account in the following order:

- (A) PAYMENTS. There shall be debited the amount of benefit payments made to or on behalf of the Participant or the Participant's Beneficiary during the Plan Year ending on the Adjustment Date (i.e., the "current calendar quarter") and allocable to such Level-Payment Installment Account.
- (B) INTEREST EQUIVALENT. The Committee, in the exercise of its sole and absolute discretion, shall determine the Interest Equivalent for the "current calendar quarter" and there shall be credited the Interest Equivalent, if any, for such Level-Payment Installment Account on the

last day of the calendar quarter; provided that no Interest Equivalent shall be credited for such Level-Payment Installment Account on or after the date that the Participant first receives a monthly benefit payment pursuant to Section 5.1(a)(ii)(B).

- (C) ELECTIVE DEFERRALS. If the Participant elected pursuant to Section 2.6 for benefits payable under a Deferral Election for the "current Plan Year" to be paid in level-payment installments, then there shall be credited the Participant's Elective Deferrals made pursuant to such Deferral Election for the "current Plan Year."
- (D) DEEMED DEFERRALS. If the Participant elected pursuant to Section 2.6 for benefits payable under a Deferral Election to be paid in level-payment installments, then there shall be credited for the "current Plan Year" the Participant's Deemed Deferrals relating to such Deferral Election.

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- (E) ADMINISTRATIVE EXPENSES. The Committee, in the exercise of its sole and absolute discretion, shall determine the amount of the expenses each Participating Company incurred for the "current Plan Year" in administering the Plan. There shall be debited such portion of the amount of such administrative expenses as the Committee determines, in the exercise of its sole and absolute discretion, to be equitable.

#### ARTICLE IV. VESTING

Participants are always One Hundred percent (100%) vested in the portion of their Deferral Accounts attributable to Elective Deferrals. Each Participant shall vest in that portion of the Participant's Deferral Account attributable to Deemed Deferrals (the "Deemed Deferral Benefit") at the same rate as the Participant vests in the Participant's account balance in the Savings Plan, except that upon, and at all times following, a Trigger Event, Participants of the Participating Company which has incurred such Trigger Event shall be One Hundred percent (100%) vested in their Deemed Deferral Benefits. If as of a Participant's Termination of Service the Participant is not fully vested in the Participant's account in the Savings Plan and a Trigger Event has not occurred, then the Participant shall forfeit the percentage of the Participant's Deemed Deferral Benefit equal to the percentage of the account in the Savings Plan in which the Participant is not vested as of such Termination of Service.

#### ARTICLE V. BENEFITS

##### 5.1 METHOD AND TIMING.

###### (A) RETIREMENT, DISABILITY OR DEATH.

- (i) LUMP SUM PAYMENT. On the January 1st following the Participant's Retirement or Termination of Service on account of Disability or death, the Participating Company which is the employer of such Participant shall pay in a single sum to the Participant or the Participant's Beneficiary, as the case may be, an amount equal to the vested amount credited to the Participant's Lump Sum Account adjusted in accordance with Section 3.1 as of the last Adjustment Date preceding such payment.

###### (ii)

- (A) INSTALLMENTS. After the Participant's Retirement or Termination of Service on account of Disability or death, the Participating Company which is the employer of such Participant shall pay in 120 monthly installments the vested amount credited to the Participant's Installment Account. Payment shall commence on the first January 1st following such Retirement or Termination of Service, and shall continue on the first day of each month thereafter until 120 monthly payments have been made. The amount of each monthly installment payable during a Plan Year shall equal the quotient obtained by dividing (1) the balance credited to the Participant's Installment Account as of the Adjustment Date next preceding the Plan Year by (2) the number of

installments remaining as of such Adjustment Date. As provided by and in accordance with Article III, during the period of payment of such installments the Participant's Installment Account shall continue to be credited with its Interest Equivalent.

- (B) LEVEL-PAYMENT INSTALLMENTS. After the Participant's Retirement or Termination of Service on account of Disability or death, the Participating Company which is the employer of such Participant shall pay in 120 monthly installments the vested amount credited to the Participant's Level- Payment Installment Account plus interest as set forth in this Section 5.1(a)(ii)(B). Payment shall commence on the first January 1st following such Retirement or Termination of Service, and shall continue on the first

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day of each month thereafter until 120 monthly payments have been made. The amount of each monthly installment shall be determined in accordance with the following formula:

$$\text{Payment} = \frac{\text{PV}}{\frac{(1-1/1+i)^{119}}{i} + 1}$$

PV = Level-Payment Installment Account balance as of the last day of the last quarter ending prior to the payment date for the first monthly installment

i = Level-Payment Installment Fixed Rate divided by 12

The Committee shall set the "LEVEL-PAYMENT INSTALLMENT FIXED RATE" each Plan Year on the last day of the third calendar quarter at a rate equal to (i) the Average AAA Corporate Bond Yield last published by Moody's Bond Survey prior to such date or (ii) such higher rate as the Committee, in its sole discretion, may determine on or prior to such date. The Level-Payment Installment Fixed Rate set by the Committee in any given Plan Year shall be the Level-Payment Installment Fixed Rate used to calculate the monthly payments for all Participants who first begin receiving monthly payments of benefits from their Level-Payment Installment Account in the immediately following Plan Year.

(iii) DISCRETIONARY PAYMENT UPON DEATH. Notwithstanding the provisions of Sections 5.1(a)(i) and (ii) above, upon a Participant's death, the Participating Company which is the employer of such Participant may, in the exercise of its absolute and sole discretion, pay in a single sum to the Participant's Beneficiary an amount equal to the vested amount credited to the Participant's Lump Sum Account, Installment Account and Level-Payment Installment Account adjusted in accordance with Section 3.1 as of the last Adjustment Date preceding such payment. Such lump sum payment shall discharge the Participating Company's obligation to pay benefits under this Plan to such Beneficiary.

- (B) OTHER TERMINATION OF SERVICE. On the first January 1st following the Participant's Termination of Service other than on account of Retirement, Disability or death, the Participating Company which is the employer of such Participant shall pay in a single sum to the Participant or the Participant's Beneficiary, as the case may be, an amount equal to the vested amount credited to the Participant's Lump Sum Deferral Account, Installment Account and Level-Payment Installment Account, each adjusted in accordance with Article III as of the last Adjustment Date preceding such January 1st.

Notwithstanding the foregoing, if a Participant's employment is terminated as a result of the sale or closure of a Participating Company, or of a subsidiary or division of a Participating Company, the Participating Company which is the employer of such Participant shall pay in a single sum to the Participant or the Participant's Beneficiary, as the case may be, an amount equal to the vested amount credited to the Participant's Lump Sum Deferral Account, Installment Account and Level-Payment Installment Account, each adjusted in accordance with Article III as of the last Adjustment Date preceding

such sale or closure, such payment to occur as soon as administratively feasible after such sale or closure.

- (C) TRIGGER EVENT. Upon the happening of a Trigger Event, the Participating Company which is subject to such Trigger Event shall immediately pay to each Participant which is its Employee, in a single sum, the amount credited to the Participant's Deferral Account adjusted in accordance with Article III as of the date of the Trigger Event.

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5.2 PAYMENTS TO BENEFICIARY. In the event a Participant dies prior to full payment of the Participant's Deferral Account under this Article V, all remaining payments due hereunder shall be made to such Participant's Beneficiary; provided, however, if the Committee so directs in the exercise of its sole discretion, the Participating Company shall pay the remainder of the Deferral Account in one single sum. In the event the Beneficiary survives the Participant but dies prior to full payment of benefits hereunder, all remaining payments shall be made to the Beneficiary's estate.

5.3 WITHHOLDING TAXES; EMPLOYMENT TAXES. Any amounts paid to a Participant or Beneficiary shall be reduced by the amount of taxes required by law to be withheld. The Participating Company which is the employer of the Participant shall timely furnish the Participant and Beneficiary with the appropriate tax information form evidencing such payment and the amount thereof. Each Participating Company shall be solely responsible for paying employment taxes (e.g., FICA, FUTA, state unemployment), if any, attributable to payments to Participants and Beneficiaries which are its Employees.

5.4 PAYMENTS TO RELIEVE FINANCIAL HARDSHIP. Notwithstanding any provision in this Plan to the contrary, the Committee in the exercise of its sole and absolute discretion shall have the power and authority to direct a Participating Company to pay to a Participant or the Participant's Beneficiary such amount as is necessary to enable the Participant or Beneficiary to relieve or mitigate an "unforeseeable emergency". For purposes of the foregoing, an "unforeseeable emergency" shall have the meaning set forth in Internal Revenue Code Regulation Sections 1.457-2(h)(4) and (5) and shall include a severe financial hardship to the Participant or Beneficiary resulting from a sudden and unexpected illness or accident of the Participant or Beneficiary or of a dependent (as defined in Code Section 152(a)) of the Participant or Beneficiary, loss of the Participant's or Beneficiary's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary. The circumstances that will constitute an "unforeseeable emergency" will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved --

- (a) through reimbursement or compensation by insurance or otherwise;
- (b) by liquidation of the Participant's or Beneficiary's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or
- (c) by cessation of deferrals under this Plan.

College tuition or the costs of purchasing a home are not considered "unforeseeable emergencies." Withdrawals of amounts because of an "unforeseeable emergency" will only be permitted to the extent reasonably needed to satisfy the emergency need. The amount of any such payment shall be debited to the Participant's Lump Sum Account, Installment Account and Level-Payment Installment Account in such order as the Committee elects and shall not exceed the amount credited to the Deferral Account determined as of the Adjustment Date next following such payment and without regard to such payment.

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- 6.1 BENEFICIARY DESIGNATION. Every Participant shall file with the Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his death. A Participant may from time to time revoke or change his Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. All decisions of the Committee concerning the effectiveness of any Beneficiary designation and the identity of any Beneficiary shall be final. If a Beneficiary shall die after the death of the Participant and prior to receiving the distribution that would have been made to such Beneficiary had such Beneficiary's death not occurred, and no alternate Beneficiary has been designated, then for the purposes of the Plan the distribution that would have been received by such Beneficiary shall be made to the Beneficiary's estate.
- 6.2 FAILURE TO DESIGNATE BENEFICIARY. Subject to Section 6.1, if no Beneficiary designation is in effect at the time of a Participant's death, the payment of the amount, if any, payable under the Plan upon his death shall be made to the Participant's surviving spouse, if any, or if the Participant has no surviving spouse, to the Participant's estate. If the Committee is in doubt as to the right of any person to receive such amount, the Committee may direct the Participating Company to withhold payment without liability for any interest thereon, until the rights thereto are determined, or the Committee may direct the Participating Company to pay any such amount into any court of appropriate jurisdiction, and such payment shall be a complete discharge of the liability of the Participating Company therefor.

#### ARTICLE VII. COMMITTEE

- 7.1 AUTHORITY. The Committee shall be responsible for the administration and interpretation of the Plan, shall act as the Plan Administrator and shall have all powers necessary to enable it to carry out its duties in the administration and interpretation of the Plan, and shall have the duty and power to determine, in the exercise of its sole and absolute discretion, all questions that may arise hereunder as to the status and rights of Participants and Beneficiaries in the Plan and as to the right of any individual to a benefit.
- 7.2 VOTING. The Committee shall act by a majority of the number then constituting the Committee, and such action may be taken either by vote at a meeting or in writing without a meeting.
- 7.3 RECORDS. The Committee shall keep a complete record of all its proceedings and all data relating to the administration of the Plan. The Committee shall make such rules and regulations for the conduct of its business as it shall deem advisable.
- 7.4 LIABILITY. No member of the Committee shall be personally liable for any actions taken or omitted by the Committee unless the member's action or inaction involves willful misconduct. To the extent permitted by applicable law, each Participating Company shall indemnify and hold harmless each member of the Committee and each employee of the Participating Company acting pursuant to the direction of the Committee from and against any and all liability, claims, demands, costs and expenses (including reasonable attorneys' fees) arising out of or incident to any act or failure to act in connection with the administration of the Plan, except for any such act or failure to act that involves willful misconduct.
- 7.5 MINISTERIAL DUTIES. The Committee may appoint one of its members to perform such ministerial duties as the Committee delegates.

#### ARTICLE VIII. AMENDMENT AND TERMINATION

Each Participating Company reserves the right, at any time and from time to time, by action of its Board to amend or terminate the Plan with respect to itself and the Participants employed by it; provided, however, no such amendment



or termination shall either (a) reduce the amount of any Deferral Account, determined as of the Adjustment Date coincident with or next preceding the amendment or termination, or (b) defer payment of such Deferral Account.

#### ARTICLE IX. CLAIMS PROCEDURE

The following claims procedure shall apply with respect to the Plan:

- 9.1 FILING OF A CLAIM FOR BENEFITS. If a Participant or Beneficiary (the "claimant") believes that he is entitled to benefits under the Plan which are not being paid to him, he shall file a written claim therefor with the Plan Administrator. In the event a member of the Plan Administrator shall be the claimant, all actions which are required to be taken by the Plan Administrator pursuant to this Article IX shall be taken instead by the remaining members of the Plan Administrator.
- 9.2 NOTIFICATION TO CLAIMANT OF DECISION. Within 90 days after receipt of a claim by the Plan Administrator (or within 180 days if special circumstances require an extension of time), the Plan Administrator shall notify the claimant of the Plan Administrator's decision with regard to the claim. In the event of such special circumstances requiring an extension of time, there shall be furnished to the claimant prior to expiration of the initial 90-day period written notice of the extension, which notice shall set forth the special circumstances and the date by which the decision shall be furnished. If such claim shall be wholly or partially denied, notice thereof shall be in writing and worded in a manner calculated to be understood by the claimant, and shall set forth: (a) the specific reason or reasons for the denial; (b) specific reference to pertinent provisions of the Plan on which the denial is based; (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (d) an explanation of the procedure for review of the denial. If the Plan Administrator fails to notify the claimant of the decision in timely manner, the claim shall be deemed denied as of the close of the initial 90-day period (or the close of the extension period, if applicable).
- 9.3 PROCEDURE FOR REVIEW. Within 60 days following receipt by the claimant of notice denying his claim in whole or in part or, if such notice shall not be given, within 60 days following the latest date on which such notice could have been timely given, the claimant shall appeal denial of the claim by filing a written application for review with the Plan Administrator. Following such request for review, the Plan Administrator shall fully and fairly review the decision denying the claim. Prior to the decision of the Plan Administrator, the claimant shall be given an opportunity to review pertinent documents and to submit issues and comments in writing.
- 9.4 DECISION ON REVIEW. The decision on review of a claim denied in whole or in part by the Plan Administrator shall be made in the following manner:

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- (a) Within 60 days following receipt by the Plan Administrator of the request for review (or within 120 days if special circumstances require an extension of time), the Plan Administrator shall notify the claimant in writing of its decision with regard to the claim. In the event of such special circumstances requiring an extension of time, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. If the decision on review is not furnished in a timely manner, the claim shall be deemed denied as of the close of the initial 60-day period (or the close of the extension period, if applicable).
- (b) With respect to a claim that is denied in whole or in part, the decision on review shall set forth specific reasons for the decision, shall be written in a manner calculated to be understood by the claimant, and shall cite specific references to the pertinent plan provisions on which the decision is based.
- (c) The decision of the Plan Administrator shall be final and conclusive.
- 9.5 ACTION BY AUTHORIZED REPRESENTATIVE OF CLAIMANT. All actions set forth in this Article IX to be taken by the claimant may likewise be taken by a representative of the claimant duly authorized by him to act in his behalf

on such matters. The Plan Administrator may require such evidence as it may reasonably deem necessary or advisable of the authority to act of any such representative.

#### ARTICLE X. MISCELLANEOUS

10.1 NONALIENATION OF BENEFITS. No right or benefit under the Plan shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach, garnish or charge any right or benefit under the Plan shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefit. If a Participant or Beneficiary hereunder shall become bankrupt, or attempt (voluntarily or involuntarily) to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge any right hereunder, or if any creditor shall attempt to attach, garnish, levy on or otherwise alienate or affect the right or benefit of any Participant or Beneficiary hereunder, then such right or benefit shall, in the discretion of the Committee, cease and terminate, and in such event, the Committee may hold or apply the same, or any part thereof, for the benefit of the Participant or Beneficiary in such manner and in such amounts and proportions as the Committee may deem proper.

10.2 NO TRUST CREATED. The Plan constitutes a mere promise by a Participating Company to make benefit payments in the future. The obligation of a Participating Company to make a payment hereunder shall constitute only a liability of such Participating Company to the Participant, and no Participating Company shall be liable to make a payment to any Participant who is not its Employee. Each such payment shall be made from the general funds of the Participating Company, and no Participating Company shall be required to establish or maintain any special or separate fund, or to purchase or acquire life insurance on a Participant's life, or otherwise to segregate assets to assure that such payments shall be made. Neither a Participant nor a Beneficiary shall have any interest in any particular asset of a Participating Company by reason of its obligations hereunder, and the right of a Participant to receive payments under this Plan shall be merely the right of a general unsecured creditor of the Participating Company which is his employer. Nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between a Participating Company and a Participant or Beneficiary.

10.3 NO EMPLOYMENT AGREEMENT. Neither the execution of this Plan nor any action taken by a Participating Company pursuant to this Plan shall be held or construed to confer on a Participant any legal right to be

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continued as an employee of the Participating Company. This Plan shall not be deemed to constitute a contract of employment between a Participating Company and a Participant, nor shall any provision herein restrict the right of any Participant to terminate his employment with a Participating Company.

10.4 FUNDING POLICY. This Plan is unfunded, and benefits shall be paid from the general assets of the Participating Company which is the employer of the Participant. However, a Participating Company may reserve such funds, make such investments or purchase such insurance policies as it may from time to time choose to provide a source for payments under the Plan. The Participants and Beneficiaries shall have no claims to any such funds, investments or policies.

10.5 BINDING EFFECT. A Participating Company shall be liable only with respect to obligations incurred pursuant to this Plan for its own Employees; no Participating Company shall be liable with respect to benefits due an Employee of any other Participating Company. Benefits under the Plan shall inure to the benefit of the Participant and the Participant's Beneficiary.

10.6 ENTIRE PLAN. This document and any amendments hereto contain all the terms and provisions of the Plan and shall constitute the entire Plan, any other alleged terms or provisions being of no effect.

10.7 MERGER OR CONSOLIDATION. In the event of a merger or a consolidation of a Participating Company with another corporation or entity, or the acquisition of substantially all of the assets or outstanding stock of a Participating Company by another corporation or entity, then and in such event the obligations and responsibilities of such merged or acquired corporation under this Plan shall be assumed by any such successor or acquiring corporation or entity, and all of the rights, privileges and benefits of the Participants hereunder shall continue.

10.8 PAYMENT TO INCOMPETENT. Payments of benefits shall be made directly to a Participant or Beneficiary entitled thereof, or if such Participant or Beneficiary has been determined by a court of competent jurisdiction to be mentally or physically incompetent, then payment shall be made to the duly appointed guardian, conservator or other authorized representative of such Participant or Beneficiary. The Participating Company shall have the right to make payment directly to a Participant or Beneficiary until it has received actual notice of the physical or mental incapacity of such Participant or Beneficiary and notice of the appointment of a duly authorized representative of his estate. Any such payment to an authorized representative for the benefit of a Participant or Beneficiary shall be a complete discharge of all liability of the Participating Company therefor.

10.9 NO CONTRIBUTIONS. Participants shall not be permitted to make any contributions to this plan.

[Page Ends; Signature Page Follows]  
Delta Apparel, Inc. Deferred Compensation Plan  
for Key Managers; Signature Page]

Executed as of \_\_\_\_\_, 2000.

DELTA APPAREL, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

DELTA APPAREL, INC.  
AMENDMENT OF CERTAIN RIGHTS AND BENEFITS  
RELATING TO STOCK OPTIONS AND DEFERRED COMPENSATION

This Amendment of Certain Rights and Benefits Relating to Stock Options and Deferred Compensation (this "Agreement") is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2000 by and between Delta Woodside Industries, Inc. ("DWI"), Delta Apparel, Inc. ("Delta Apparel") and the undersigned individual ("Participant").

WHEREAS, the Participant currently holds unexercised options (the "Stock Options") to purchase the common stock of DWI and/or is entitled to accrued but unpaid benefits under the Delta Woodside Group Deferred Compensation Plan for Key Managers (the "Deferred Compensation");

WHEREAS, DWI proposes to consummate a corporate reorganization (the "Reorganization") whereby DWI will distribute to its shareholders all of the stock of Delta Apparel and DH Apparel Company, Inc. ("Duck Head");

WHEREAS, to facilitate the Reorganization, DWI and Delta Apparel desire to have the Participant agree to certain modifications of the terms and conditions governing the Stock Options and the Deferred Compensation;

WHEREAS Participant hereby agrees to such modifications in return for new rights with respect to the Stock Options and Deferred Compensation to which the Participant was not previously entitled;

NOW THEREFORE, in consideration of the mutual covenants and representations made herein, the parties agree as follows:

A. AMENDMENT OF STOCK OPTIONS.

1. VESTING AND EXERCISE. Any and all of the Stock Options that were not fully vested and exercisable immediately prior to the date of this Agreement are fully vested and exercisable as of the date of this Agreement.

2. NO ADJUSTMENT FOR REORGANIZATION; LOSS OF ABILITY TO RECEIVE DELTA APPAREL AND DUCK HEAD STOCK. Notwithstanding any stock option grant letter or agreement, the terms of the Delta Woodside Industries, Inc. Stock Option Plan, or the terms of any other agreement or understanding, no adjustment shall be made on account of the Reorganization to the stock and other property that the Participant is entitled to receive upon the exercise of a Stock Option. Therefore, if the Participant exercises a Stock Option after the record date of the distribution by DWI to its shareholders of the stock of Delta Apparel and Duck Head (the "Record Date"), the Participant will not be entitled to receive any shares of the common stock of Delta Apparel or Duck Head and shall be entitled to receive only the same number of shares of common stock of DWI that the Participant would have received if the Participant had exercised the Stock Option prior to the Reorganization.

Assuming consummation of the Reorganization, if the Participant exercises a Stock Option on or prior to the Record Date, the Participant will be entitled to receive a distribution of Delta Apparel common stock, Duck Head common stock and/or cash for fractional shares with respect to the shares of DWI common stock acquired pursuant to such exercise on the same terms and conditions applicable to all other persons holding DWI common stock on the Record Date.

3. OTHER TERMS REMAIN IN EFFECT. Except to the extent expressly amended by this Agreement, the Stock Options shall remain subject to all of the terms and conditions applicable to them immediately prior to the execution of this Agreement.

B. AMENDMENT OF TERMS APPLICABLE TO DEFERRED COMPENSATION BENEFITS ACCRUED PRIOR TO REORGANIZATION.

1. ADDITIONAL TRIGGER EVENT. For purposes of the Delta Woodside Group Deferred Compensation Plan for Key Managers (the "Plan"), the following described date shall constitute a Trigger Event under the Plan:

The first date on which Delta Apparel is in default of any Financial Covenant and has not cured such default by the expiration of the applicable period for cure, if any, for such a default.

At any time, "Financial Covenant" shall mean any financial covenant that is established by and set forth in the written terms and conditions governing Delta Apparel's primary revolving debt facility in existence at such time. The term "Financial Covenant" is intended to include financial covenants of the type customarily included in revolving credit facilities, such as covenants based on leverage ratios, fixed charge coverage ratios, minimum corporate net worth and the like.

2. ONE-TIME CASH OUT ELECTION. Notwithstanding the terms of the Plan, Participant may elect to receive a lump sum payment of all or a portion of the Participant's vested benefits under the Plan accrued as of the effective date (and not the record date) of the distribution by DWI to its shareholders of the stock of Delta Apparel and Duck Head (the "Reorganization Date"); provided that (i) such election must be made in writing on a form provided by the Plan administrative committee and (ii) such election form must be submitted to the administrative committee no later than [\_\_\_\_\_, 2000]. Any such election may be withdrawn or amended at any time prior to [\_\_\_\_\_, 2000] but shall be binding upon the Participant and irrevocable after such date. Such lump-sum payment shall be made to the Participant as soon as reasonably feasible after the Reorganization Date.

3. ELECTION TO CHANGE PAYMENT METHOD. Notwithstanding the terms of the Plan, Participant may elect to change his or her method-of-payment election with respect to all or a portion of the Participant's benefits accrued under the Plan prior to the Reorganization Date and the methods of payment among which the Participant may choose shall include the lump sum, installment payment and level-payment installment payment options as described in the Delta Woodside Group Deferred Compensation Plan for Key Managers as amended and restated effective on or about the Reorganization Date.

4. RELEASE OF OTHER DWI COMPANIES FROM LIABILITY FOR DEFERRED COMPENSATION BENEFITS. Participant releases any and all natural persons and legal entities other than Delta Apparel from any and all obligations and liabilities that currently exist or may arise in connection with Participant's benefits accrued prior to the Reorganization Date under the Plan (whether under its terms as currently amended or as amended from time to time at any time prior to the date of this Agreement). Delta Apparel agrees to assume all such liabilities. Participant understands that this release relieves DWI and all other DWI subsidiaries (other than Delta Apparel) of their current joint and several obligations to pay all or a portion of the Participant's benefits accrued under the Plan.

5. OTHER TERMS REMAIN IN EFFECT. Except as such terms and conditions are expressly amended by this Agreement, Participant's benefits accrued under the Plan shall remain subject to all of the terms and conditions applicable to such benefits immediately prior to the execution of this Agreement.

#### C. OTHER TERMS.

1. THIRD-PARTY BENEFICIARIES. The parties to this Agreement specifically intend for any and all beneficiaries of the release set forth in Section B.4. to be third-party beneficiaries of this entire Agreement, entitled to enforce the terms of this Agreement against any party signing the Agreement.

2. REVIEW OF INFORMATION STATEMENTS DESCRIBING THE REORGANIZATION AND ITS EFFECTS. Participant acknowledges that (i) Participant has received and reviewed copies of the Information Statements of Delta Apparel, Inc. and DH Apparel Company, Inc. respecting the Reorganization and (ii) Participant has had the opportunity to ask the management of Delta Woodside Industries, Inc. and its subsidiaries for any additional information that Participant desired in order to make a fully informed decision with respect to signing this Agreement, exercising Stock Options and making the various elections permitted by this Agreement with respect to Participant's benefits under the Plan.

3. NO REPRESENTATIONS REGARDING TAX CONSEQUENCES. Neither DWI nor Delta Apparel nor Duck Head nor any other subsidiary or affiliate of DWI make any representation as to the tax consequences to the Participant of any decision the Participant may make regarding the exercise of any Stock Options or making any of the elections permitted by this Agreement with respect to Participant's benefits under the Plan. The Participant understands that he or she should consult with the Participant's personal tax advisor if the Participant wishes to

receive any assurances regarding such tax consequences.

4. ENTIRE AGREEMENT; AMENDMENT. This Agreement is the entire agreement between the parties with respect to the subject matter addressed herein, and supersedes any prior or contemporaneous oral or written agreements or understandings. This Agreement may not be amended except by written amendment duly executed by the party against whom such amendment is to be enforced.

5. GOVERNING LAW. This Agreement shall be governed by the law of South Carolina without regard to the application of the principles of conflicts of laws.

Executed as of the date first above written.

DELTA WOODSIDE INDUSTRIES, INC.

DELTA APPAREL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

PARTICIPANT

\_\_\_\_\_  
Name: \_\_\_\_\_

Subsidiaries of  
Delta Apparel, Inc.

Listed below are the subsidiaries of Delta Apparel, Inc. which are expected to exist following the Delta Apparel distribution:

- (1) Delta Apparel Honduras, S.A., a Honduran sociedad anonima .  
Honduran law requires a sociedad anonima to have at least five shareholders.  
100% of common stock owned by Delta Apparel, Inc.  
100% of preferred stock owned by four directors of Delta Apparel, Inc.

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INFORMATION STATEMENT

DELTA APPAREL, INC.

COMMON STOCK

This document relates to the distribution (which this document refers to as the Delta Apparel distribution) of 100% of the common stock of Delta Apparel, Inc., a Georgia corporation (which this document refers to as Delta Apparel), by Delta Woodside Industries, Inc., a South Carolina corporation (which this document refers to as Delta Woodside). Delta Woodside will make the Delta Apparel distribution to record holders of Delta Woodside common stock as of April 28, 2000 (which this document refers to as the Delta Apparel record date). In the Delta Apparel distribution, those Delta Woodside stockholders will receive one share of Delta Apparel common stock for every ten shares of Delta Woodside common stock that they hold on that date. If you are a record holder of Delta Woodside common stock on April 28, 2000, you will receive your Delta Apparel common shares automatically. You do not need to take any further action. Currently, Delta Apparel expects the Delta Apparel distribution to occur on or about May 12, 2000.

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Before the Delta Apparel distribution, Delta Apparel will apply to The American Stock Exchange to approve shares of Delta Apparel's common stock for listing, subject to official notice of issuance. If this application is not approved, Delta Apparel expects that the Delta Apparel shares will trade in the over-the-counter market.

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YOU SHOULD CAREFULLY REVIEW THIS ENTIRE DOCUMENT. IN REVIEWING THIS DOCUMENT, YOU SHOULD CAREFULLY CONSIDER THE MATTERS AFFECTING DELTA APPAREL'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND THE VALUE OF ITS COMMON STOCK THAT THIS DOCUMENT DESCRIBES IN DETAIL UNDER THE HEADING "RISK FACTORS" BEGINNING ON PAGE 14.

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STOCKHOLDER APPROVAL IS NOT REQUIRED FOR THE DELTA APPAREL DISTRIBUTION OR ANY OF THE OTHER TRANSACTIONS THAT THIS DOCUMENT DESCRIBES. DELTA APPAREL IS NOT ASKING YOU FOR A PROXY AND REQUESTS THAT YOU NOT SEND ONE TO IT.

This document is not an offer to sell or solicitation of an offer to buy any securities.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this document is April 18, 2000, and Delta Apparel first mailed this document to stockholders on May 1, 2000.

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QUESTIONS AND ANSWERS ABOUT THE DELTA APPAREL DISTRIBUTION

The following questions and answers highlight important information about the Delta Apparel distribution. For a more complete description of the terms of the Delta Apparel distribution, please read this entire document and the other materials to which it refers.

**Q: WHAT WILL HAPPEN IN THE DELTA APPAREL DISTRIBUTION AND RELATED TRANSACTIONS?**

**A:** Delta Woodside is separating the two apparel businesses (the Delta Apparel Company division and the Duck Head Apparel Company division) conducted by its wholly-owned subsidiary, Duck Head Apparel Company, Inc., a Tennessee corporation, from each other and from the textile fabric business (which this document refers to as Delta Mills Marketing Company) conducted by its wholly-owned subsidiary, Delta Mills, Inc., a Delaware corporation (which this document refers to as Delta Mills). It will accomplish this as follows:

- Delta Woodside has created two new wholly-owned corporations, Delta Apparel, Inc., a Georgia corporation (which this document refers to as Delta Apparel), and Duck Head Apparel Company, Inc., a Georgia corporation (which this document refers to as Duck Head).
- The Delta Apparel Company business, and associated assets and liabilities, will be transferred to Delta Apparel, and the Duck Head Apparel Company business, and associated assets and liabilities, will be transferred to Duck Head.
- Delta Woodside will simultaneously distribute all the common stock of Delta Apparel (which this document refers to as the Delta Apparel distribution) and all the common stock of Duck Head (which this document refers to as the Duck Head distribution) to the Delta Woodside stockholders of record as of April 28, 2000. (This document refers to this record date for the Delta Apparel distribution as the Delta Apparel record date, and to this record date for the Duck Head distribution as the Duck Head record date).

Upon completion of these two distributions, you will own shares in

three separately traded public companies, Delta Woodside Industries, Inc., Delta Apparel, Inc. and Duck Head Apparel Company, Inc.

Q: WHAT WILL I RECEIVE IN THE DELTA APPAREL DISTRIBUTION?

A: You will receive one share of Delta Apparel common stock for every ten shares of Delta Woodside common stock that you own of record on April 28, 2000, the Delta Apparel record date. Simultaneously with the Delta Apparel distribution, you will receive in the Duck Head distribution one share of Duck Head common stock for every ten shares of Delta Woodside common stock that you own of record on April 28, 2000, the Duck Head record date. After the Delta Apparel distribution, you will also continue to own the shares of Delta Woodside common stock that you owned immediately before the Delta Apparel distribution.

Q: WILL I BE TAXED AS A RESULT OF THE DELTA APPAREL DISTRIBUTION?

A: Delta Woodside has obtained an opinion from KPMG LLP that it is more likely than not that each of the Delta Apparel distribution and the Duck Head distribution will qualify as tax-free under US Internal Revenue Code Section 355. If the Delta Apparel distribution and the Duck Head distribution qualify as tax-free under US Internal Revenue Code Section 355, your receipt of Delta Apparel shares in the Delta Apparel distribution and Duck Head shares in the Duck Head distribution will be tax-free for United States federal income tax purposes, except that you will be taxed on any gain attributable to cash that you receive in lieu of a fractional share.

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Q: WHAT WILL DELTA APPAREL'S BUSINESS BE AFTER THE DELTA APPAREL DISTRIBUTION?

A: After the Delta Apparel distribution, Delta Apparel will continue its business of being a vertically integrated supplier of knit apparel, particularly T-shirts, sportswear and fleece goods, and selling these products to distributors, screen printers and private label accounts. See information under the heading "Business of Delta Apparel".

Q: WHAT WILL DELTA WOODSIDE'S AND DUCK HEAD'S RESPECTIVE BUSINESSES BE AFTER THE DELTA APPAREL DISTRIBUTION?

A: After the Delta Apparel distribution, Delta Woodside will own all of the outstanding stock of Delta Mills, whose sole business is the manufacture and sale, through Delta Mills Marketing Company, of a broad range of finished apparel fabrics primarily to branded apparel manufacturers and resellers, and private label apparel manufacturers. After the Delta Apparel distribution and the Duck Head distribution, Delta Woodside will have no operating business other than Delta Mills Marketing Company.

Duck Head's business is designing, sourcing, producing, marketing and distributing boy's and men's value-oriented casual sportswear predominantly under the 134-year-old nationally recognized "Duck Head" (Reg. Trademark) label.

Q: WHAT DO I HAVE TO DO TO PARTICIPATE IN THE DELTA APPAREL DISTRIBUTION?

A: Nothing. No proxy or vote is necessary for the Delta Apparel distribution, the Duck Head distribution or the other transactions described in this document to occur. You do not need to, and should not, mail in any certificates of Delta Woodside common stock to receive shares of Delta Apparel common stock in the Delta Apparel distribution. Similarly, you will not need to, and should not, mail in any certificates of Delta Woodside common stock to receive shares of Duck Head common stock in the Duck Head distribution.

Q: HOW WILL DELTA WOODSIDE DISTRIBUTE DELTA APPAREL COMMON STOCK TO ME?

A: If you are a record holder of Delta Woodside common stock as of the close of business on the Delta Apparel record date, Delta Woodside's distribution agent, First Union National Bank (which this document refers to as the distribution agent), will automatically send to you a stock certificate for the number of whole shares of Delta Apparel common stock to which you are entitled. This stock certificate will be mailed to you on or around May 12, 2000.

Q: WHAT IF I HOLD MY SHARES OF DELTA WOODSIDE COMMON STOCK THROUGH MY STOCKBROKER, BANK OR OTHER NOMINEE?

A: If you hold your shares of Delta Woodside common stock through your stockbroker, bank or other nominee, you are probably not a registered stockholder of record and your receipt of Delta Apparel common stock depends on your arrangements with the stockbroker, bank or nominee that holds your shares of Delta Woodside common stock for you. Delta Apparel anticipates that stockbrokers and banks generally will credit their customers' accounts with Delta Apparel common stock on or about May 12, 2000, but you should confirm that with your stockbroker, bank or other nominee.

After the Delta Apparel distribution, you may instruct your stockbroker, bank or other nominee to transfer your shares of Delta Apparel common stock into your own name.

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Q: WHAT ABOUT FRACTIONAL SHARES?

A: If you own ten or more shares of Delta Woodside common stock, the distribution agent will send to you a stock certificate for all of the whole shares of Delta Apparel common stock that you are entitled to receive in the Delta Apparel distribution, and your account with Delta Woodside's distribution agent will be credited with any fractional share of Delta Apparel common stock that you would otherwise be entitled to receive in the Delta Apparel distribution. Promptly after the Delta Apparel distribution, the distribution agent will aggregate and sell all fractional shares, and will send to you your portion of the cash sale proceeds (less any brokerage commissions).

If you own fewer than ten shares of Delta Woodside common stock, you will receive cash instead of your fractional share of Delta Apparel common stock. Promptly after the Delta Apparel distribution, the distribution agent will distribute to those registered stockholders the portion of the cash sale proceeds (less any brokerage commissions) that those holders are entitled to receive.

No interest will be paid on any cash distributed in lieu of fractional shares. None of Delta Woodside, Delta Apparel or the distribution agent guarantees any minimum sale price for the fractional shares of Delta Apparel common stock.

Q: ON WHICH EXCHANGE WILL SHARES OF DELTA APPAREL COMMON STOCK TRADE IMMEDIATELY AFTER THE DELTA APPAREL DISTRIBUTION?

A: Before the Delta Apparel distribution, Delta Apparel will apply to The American Stock Exchange to approve shares of Delta Apparel's common stock for listing, subject to official notice of issuance. If this application is not approved, Delta Apparel expects that the Delta Apparel shares will trade in the over-the-counter market.

Q: WHEN WILL I BE ABLE TO BUY AND SELL DELTA APPAREL COMMON SHARES?

A: Regular trading in Delta Apparel common stock is expected to begin on or about May 12, 2000. Delta Apparel expects, however, that "when-issued" trading for Delta Apparel common stock will develop before the Delta Apparel distribution date, which is expected to be on or about May 12, 2000.

"When-issued" trading means that you may trade shares of Delta Apparel common stock before the Delta Apparel distribution date. "When-issued" trading reflects the value at which the market expects the shares of Delta Apparel common stock to trade after the Delta Apparel distribution. If "when-issued" trading develops in shares of Delta Apparel common stock, you may buy and sell those shares before the Delta Apparel distribution date. None of these trades, however, will settle until after the Delta Apparel distribution date, when regular trading in Delta Apparel common stock has begun. If the Delta Apparel distribution does not occur, all "when-issued" trading will be null and void.

Q: WHAT WILL HAPPEN TO THE LISTING OF DELTA WOODSIDE COMMON STOCK ON THE NEW YORK STOCK EXCHANGE AFTER THE DELTA APPAREL DISTRIBUTION?

A: Delta Woodside expects that, following the Delta Apparel distribution, The New York Stock Exchange will continue to list the Delta Woodside common stock under the symbol "DLW". You will not receive new share certificates for Delta Woodside common stock, nor will the Delta Apparel distribution change the number of shares of Delta Woodside common stock that you own.

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Q: HOW WILL I BE ABLE TO BUY AND SELL DELTA WOODSIDE COMMON STOCK BEFORE THE DELTA APPAREL DISTRIBUTION DATE?

A: Delta Woodside expects that its common stock will continue to trade on the New York Stock Exchange on a regular basis through the Delta Apparel distribution date under the current symbol "DLW". Any shares of Delta Woodside common stock sold on a regular basis in the period between the date that is two days before the Delta Apparel record date and the Delta Apparel distribution date (i.e., between April 26 and May 12, 2000) will be accompanied by an attached "due bill" representing Delta Apparel common stock to be distributed in the Delta Apparel distribution.

Additionally, Delta Woodside expects that "ex-distribution" trading for Delta Woodside common stock may develop before the Delta Apparel distribution date and the Duck Head distribution date. "Ex-distribution" trading means that you may trade shares of Delta Woodside common stock before the completion of the Delta Apparel distribution and the Duck Head distribution, but on a basis that reflects the value at which the market expects the shares of Delta Woodside common stock to trade after the Delta Apparel distribution and the Duck Head distribution.

If "ex-distribution" trading develops in shares of Delta Woodside common stock, you may buy and sell those shares before the Delta Apparel distribution date and the Duck Head distribution date on The New York Stock Exchange under the symbol "DLWwi". None of these trades, however, will settle until after the Delta Apparel distribution date and the Duck Head distribution date. If the Delta Apparel distribution does not occur or the Duck Head distribution does not occur, all "ex-distribution" trading will be null and void.

Q: WHAT WILL BE THE RELATIONSHIP BETWEEN DELTA APPAREL, DELTA WOODSIDE AND DUCK HEAD AFTER THE DELTA APPAREL DISTRIBUTION?

A: Delta Apparel, Delta Woodside and Duck Head will be independent, separate, publicly owned companies. After the Delta Apparel distribution, Delta Woodside will not own any of Delta Apparel's common stock, and after the Duck Head distribution Delta Woodside will not own any of Duck Head's common stock. Seven of Delta Apparel's initial directors will also be Delta Woodside directors after the Delta Apparel distribution. Seven of Delta Apparel's initial directors will also be Duck Head directors after the Delta Apparel distribution. In connection with the Delta Apparel distribution, Delta Woodside, Delta Apparel and Duck Head are entering into agreements to govern their relationship after the Delta Apparel distribution and after the Duck Head distribution. This document describes these agreements and ongoing relationships in detail on pages 42-50.

Q: WHOM SHOULD I CALL WITH QUESTIONS ABOUT THE DELTA APPAREL DISTRIBUTION?

A: If you have questions about the Delta Apparel distribution or the related transactions or if you would like additional copies of this document or any other materials to which this document refers, you should contact:

David R. Palmer  
Controller  
Delta Woodside Industries, Inc.  
233 N. Main Street  
Greenville, SC 29601  
Telephone No.: 864-232-8301

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#### SUMMARY

The following information, and the material under the heading "Questions and Answers About the Delta Apparel Distribution", are a brief summary of the matters that this document addresses. This summary and the material under the heading "Questions and Answers About the Delta Apparel Distribution" do not

contain all of the information that is important to you as a recipient of Delta Apparel shares. For a more complete description of the Delta Apparel distribution and related transactions, you should read this entire document and the other materials to which it refers. All descriptions in this document of Delta Apparel's business assume that the transactions contemplated by the distribution had been consummated.

## DELTA APPAREL

Delta Apparel is a Georgia corporation with its principal executive offices located at 3355 Breckinridge Blvd., Suite 100, Duluth, Georgia 30096 (telephone number: 770-806-6800). Delta Apparel is a vertically integrated supplier of knit apparel, particularly T-shirts, sportswear and fleece goods. Approximately 92% of Delta Apparel's production is of T-shirts. Delta Apparel specializes in selling to the imprinted knit apparel marketplace products such as blank T-shirts, golf shirts and tank tops. Delta Apparel sells its products to distributors, screen printers and private label accounts. Delta Apparel has operations in 4 states and Honduras, and at January 1, 2000 had approximately 2,050 employees.

## THE DELTA APPAREL DISTRIBUTION

The following information, and the material under the heading "Questions and Answers About the Delta Apparel Distribution", are a brief summary of the principal terms of the Delta Apparel distribution.

### DISTRIBUTING COMPANY

Delta Woodside Industries, Inc. Before the Delta Apparel distribution, the Delta Woodside common stock trades on The New York Stock Exchange under the symbol "DLW". After the Delta Apparel distribution, Delta Woodside's common stock will continue to trade under the symbol "DLW" and Delta Woodside will not own any shares of Delta Apparel common stock.

### PRIMARY PURPOSES OF THE DELTA APPAREL DISTRIBUTION AND

**DUCK HEAD DISTRIBUTION** The board of directors and management of Delta Woodside have concluded that separating the Delta Apparel and Duck Head businesses from the Delta Mills Marketing Company business by means of the distribution of shares of Delta Apparel common stock to Delta Woodside stockholders, and the simultaneous distribution of shares of Duck Head common stock to Delta Woodside stockholders, is in the best interests of Delta Woodside, Delta Apparel, Duck Head and the Delta Woodside stockholders. The Delta Woodside board of directors and management believe that this separation will further the following objectives, among others, and thereby enhance stockholder value:

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- (a) Permit the grant of equity incentives to the separate management of each business, which incentives would not be affected by the results of the other businesses and, therefore, would have excellent potential to align closely the interests of that management with those of the stockholders;
- (b) Permit the elimination of certain existing corporate overhead expenses that result from the current need to coordinate the operations of three distinct businesses that have separate modes of operation and markets;
- (c) As a reason to accomplish the Duck Head distribution, eliminate the complaints of certain customers of Delta Mills Marketing Company (which, as a supplier to those customers, has access to certain of their competitive information) that a competitor of theirs (Duck Head Apparel Company) is under common management with Delta Mills Marketing Company;
- (d) Permit each business to obtain, when needed, the best equity and debt financing possible without being affected by the operational results of the other businesses;
- (e) Permit each business to establish long-range plans geared toward the expected cyclicity, competitive conditions and market trends in its own line of business, unaffected by the markets,

needs and constraints of the other businesses;

- (f) Promote a more streamlined management structure for each of the three businesses, better able to respond quickly to customer and market demands; and
- (g) Permit the value of each of the three divisions to be more accurately reflected in the equity market by separating the results of each business from the other two businesses.

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#### SECURITIES TO BE DISTRIBUTED

All of the outstanding shares of Delta Apparel common stock will be distributed to Delta Woodside stockholders of record as of April 28, 2000. Based on the number of shares of Delta Woodside common stock outstanding as of March 3, 2000, the Delta Apparel distribution ratio of one Delta Apparel common share for every ten Delta Woodside common shares and the number of Delta Woodside shares to be issued as described in "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Payments in Connection with Delta Apparel Distribution and Duck Head Distribution", Delta Woodside will distribute approximately 2,400,000 shares of Delta Apparel common stock to Delta Woodside stockholders. After the Delta Apparel distribution, Delta Apparel will have approximately 1,500 stockholders of record.

#### DELTA APPAREL DISTRIBUTION RATIO

You will receive one share of Delta Apparel common stock for every ten shares of Delta Woodside common stock that you own as of the close of business on April 28, 2000.

#### DELTA APPAREL RECORD DATE

April 28, 2000 (5:00 p.m., Eastern time).

#### DELTA APPAREL DISTRIBUTION DATE

May 12, 2000 (4:59 p.m., Eastern time). On the Delta Apparel distribution date, Delta Woodside's distribution agent will credit the shares of Delta Apparel common stock that you will receive in the Delta Apparel distribution to your account or to the account of your stockbroker, bank or other nominee if you are not a registered stockholder of record.

#### DISTRIBUTION AGENT

Delta Woodside has appointed First Union National Bank, Delta Woodside's transfer agent, as its distribution agent for the Delta Apparel distribution.

#### TRADING MARKET

Because Delta Apparel has been a wholly-owned subsidiary of Delta Woodside, there has been no trading market for Delta Apparel common stock. Before the Delta Apparel distribution, Delta Apparel will apply to The American Stock Exchange to approve shares of Delta Apparel's common stock for listing, subject to official notice of issuance. If this application is not approved, Delta Apparel expects that the Delta Apparel shares will trade in the over-the-counter market. Delta Apparel expects that a "when-issued" trading market will develop before the Delta Apparel distribution date.

#### RISK FACTORS

You should carefully consider the matters discussed under the section of this document entitled "Risk Factors".

#### RELATIONSHIP WITH DELTA WOODSIDE AND DUCK HEAD AFTER THE DELTA APPAREL DISTRIBUTION

Delta Apparel has entered into a distribution agreement with Delta Woodside and Duck Head dated as of March 15, 2000. Delta Apparel will

also enter into a tax sharing agreement with Delta Woodside and Duck Head on or before the Delta Apparel distribution date. These are described on pages 42 to 46 of this document.

SELECTED HISTORICAL FINANCIAL DATA

The selected financial data of Delta Apparel set forth below should be read in conjunction with Delta Apparel's combined financial statements, including the notes to those statements, which are at pages F-1 to F-22 of this document, and "Management's Discussion and Analysis of Financial Condition and Results of Operations", which begins on page 58 of this document. The combined financial statements of Delta Apparel include the operations and accounts of the Delta Apparel Company division, which consists of operations and accounts included in various subsidiaries of Delta Woodside, and from April 1998 the operations and net assets of the Rainsford Yarn Mill, operational control of which was transferred to the Delta Apparel Company division as of that date. The combined statement of operations data for the years ended July 1, 1995 and June 29, 1996, and the combined balance sheet data as of July 1, 1995, June 29, 1996 and June 28, 1997, are derived from unaudited combined financial statements not included in this document. The combined statement of operations data for the years ended June 28, 1997, June 27, 1998 and July 3, 1999, and the combined balance sheet data as of June 27, 1998 and July 3, 1999, are derived from, and are qualified by reference to, Delta Apparel's audited combined financial statements included elsewhere in this document. The financial information as of January 1, 2000 and December 26, 1998 has been derived from Delta Apparel's unaudited financial information. Delta Apparel did not operate as a stand alone company for any of the periods presented. In the opinion of management, the unaudited financial information has been prepared on a basis consistent with the annual audited combined financial statements that appear elsewhere in this document, and include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the financial position and results of operations for those unaudited periods. Historical results are not necessarily indicative of results to be expected in the future.

<TABLE>  
<CAPTION>

	Fiscal Year Ended					Six Months Ended	
	July 3, 1999	June 27, 1998	June 28, 1997	June 29, 1996	July 1, 1995	January 1, 2000	December 26, 1998
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(In thousands)					(In thousands)	
Net Sales	106,779	107,967	112,593	124,601	104,257	50,221	43,081
Cost of goods sold	(101,125)	(103,867)	(109,334)	(108,660)	(85,927)	(43,511)	(37,825)
Selling, general and Administrative expenses	(13,720)	(13,956)	(9,530)	(10,945)	(10,974)	(3,679)	(5,561)
Impairment charges	(1,415)	(7,459)	-	(2,393)	-	-	-
Other income (loss)	(221)	(505)	(132)	501	55	(12)	(318)
Operating income (loss)	(9,702)	(17,820)	(6,403)	3,104	7,411	3,019	(623)
Interest expense, net	(9,578)	(6,379)	(5,866)	(5,736)	(5,620)	(4,286)	(4,416)
Income (loss) before taxes	(19,280)	(24,199)	(12,269)	(2,632)	1,791	(1,267)	(5,039)
Income tax expense (benefit)	(90)	108	(208)	(342)	976	(59)	(23)



Income (loss) before cumulative change in accounting principle	(19,190)	(24,307)	(12,061)	(2,290)	815	(1,208)	(5,016)
Cumulative effect of change in accounting principle	-	-	-	(182)	-	-	-
Net income (loss)	(19,190)	(24,307)	(12,061)	(2,472)	815	(1,208)	(5,016)

BALANCE SHEET DATA  
(AT PERIOD END):

Working capital (deficit)	(67,217)	(56,756)	10,333	13,357	14,093	(66,144)	(57,462)
Total assets	84,357	99,950	90,704	95,299	106,491	73,722	99,287
Total long-term debt	30,517	30,756	63,186	60,818	61,057	30,417	30,696
Divisional deficit	(66,556)	(47,366)	(23,059)	(10,998)	(8,526)	(67,764)	(52,382)

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SUMMARY PRO FORMA FINANCIAL DATA

The unaudited pro forma financial data set forth below are derived from the unaudited pro forma combined financial statements of Delta Apparel at and for the six month period ended January 1, 2000 and for the year ended July 3, 1999 that are set forth under the heading "Unaudited Pro Forma Combined Financial Statements" and give effect to the transactions described in that section of this document as if those transactions had occurred, in the case of the pro forma balance sheet, on the date of that balance sheet and, in the case of the pro forma statements of operations, at the beginning of the fiscal year that ended July 3, 1999.

Delta Apparel has provided the unaudited pro forma financial data to you for informational purposes only. You should not construe them to be indicative of the results of operations or financial position of Delta Apparel had the transactions referred to above been consummated on the dates given. Those financial statements also do not project the results of operations or financial position for any future period or date. You should read these pro forma data in conjunction with the information found under the heading "Unaudited Pro Forma Combined Financial Statements" and the combined financial statements of Delta Apparel and the related notes as of July 3, 1999 and June 27, 1998 and for each of the three years in the period ended July 3, 1999, and as of and for the six month period ended January 1, 2000, included on pages 52-57 and F-1 to F-21, respectively.

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<TABLE>  
<CAPTION>

	FISCAL YEAR ENDED JULY 3, 1999	SIX MONTHS ENDED JANUARY 1, 2000
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(dollars in thousands, except per share amounts)

STATEMENT OF OPERATIONS DATA:

	FISCAL YEAR ENDED JULY 3, 1999	SIX MONTHS ENDED JANUARY 1, 2000
Net sales	\$ 106,779	50,221
Cost of goods sold	(101,125)	(43,511)
Gross Profit	5,654	6,710
Selling, general and administrative expenses	(10,940)	(3,563)
Intercompany management fees	(550)	(162)
Provision for bad debt	(1,645)	(116)
Impairment charges	(1,415)	-
Other expenses	(221)	(12)

Operating income (loss)	(9,117)	2,857
Interest (income) expense:		
Interest expense, net	(2,584)	(692)
Intercompany interest expense	--	--
	(2,584)	(692)
Income (loss) before taxes	(11,701)	2,165
Income tax expense (benefit)	(90)	48
Net income (loss)	\$ (11,611)	2,117
Basic and diluted net income (loss) per share	\$ (4.84)	0.88
Weighted average shares outstanding used in basic and diluted per share calculation (a)	2,400,000	2,400,000

BALANCE SHEET DATA:

Working capital	\$	28,205
Total assets		73,722
Total long-term debt		12,555
Stockholders' equity		44,447

(a). Weighted average shares outstanding were determined assuming a distribution of one share of Delta Apparel common stock for every ten shares of Delta Woodside common stock outstanding on the record date. The proforma Weighted shares outstanding do not include securities that would be anti-dilutive for each of the periods presented

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RISK FACTORS

In addition to all other information in this document, you should read and carefully consider the following risk factors which may affect Delta Apparel's financial condition or results of operations and/or the value of its common stock.

The following discussion contains various "forward-looking statements". Please refer to "Forward-Looking Statements May Not Be Accurate" for a description of the uncertainties and risks associated with forward-looking statements.

THE DELTA APPAREL DISTRIBUTION AND THE DUCK HEAD DISTRIBUTION MAY, FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, BE TAXABLE TO THE DELTA WOODSIDE STOCKHOLDERS.

Delta Woodside has obtained an opinion from KPMG LLP that it is more likely than not that each of the Delta Apparel distribution and the Duck Head distribution will qualify as tax-free for United States federal income tax purposes under Section 355 of the Internal Revenue Code of 1986, as amended. If the Delta Apparel distribution and the Duck Head distribution qualify as tax-free under Internal Revenue Code Section 355, your receipt of Delta Apparel shares in the Delta Apparel distribution and Duck Head shares in the Duck Head distribution will be tax-free for United States federal income tax purposes, except that you will be taxed on any gain attributable to cash that you receive in lieu of a fractional share.

The opinion of KPMG LLP is not binding upon the IRS, any other tax authority or any court. No assurance can, therefore, be given that a position contrary to that expressed in the opinion of KPMG LLP will not be asserted by the IRS or any other tax authority and ultimately sustained by a court of law.

Delta Woodside has not sought a ruling from the IRS regarding the Delta Apparel distribution or the Duck Head distribution, in part because neither distribution satisfies all the conditions imposed by the IRS for such a ruling.

Accordingly, if the IRS and the courts disagree with the conclusion of KPMG

LLP, each Delta Woodside stockholder as of the record date for the Delta Apparel distribution and the Duck Head distribution may recognize dividend income and possibly capital gain on the Delta Apparel distribution and the Duck Head distribution, all to the extent described in "The Delta Apparel Distribution - Material Federal Income Tax Consequences".

DELTA APPAREL HAS HAD SIGNIFICANT OPERATING LOSSES AND USED SIGNIFICANT AMOUNTS OF CASH IN ITS OPERATIONS DURING ITS LAST SEVERAL FULL FISCAL YEARS AND THESE LOSSES AND THIS USE OF CASH MAY RECUR.

Delta Apparel had operating losses of \$9.7 million in the fiscal year ended July 3, 1999, \$17.8 million in the fiscal year ended June 27, 1998 and \$6.4 million in the fiscal year ended June 28, 1997. Delta Apparel had operating income of \$3.0 million in the six months ended January 1, 2000.

Net cash used in operating activities by Delta Apparel was \$6.8 million in the 1999 fiscal year, \$12.6 million in the 1998 fiscal year and \$13.7 million in the 1997 fiscal year. During the first six months of the 2000 fiscal year, Delta Apparel generated \$10.7 million of cash from operations.

Delta Apparel believes that the primary factors that have contributed to its recent positive operating results have been:

- Its use of its Honduras plants and sewing contractors with facilities in the Caribbean basin to satisfy its sewing needs;

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- Its effective utilization of the new information systems that it has implemented;
- Efficiencies gained from the modernization of its textile manufacturing operation in Maiden, North Carolina;
- The increased proportion of its sales to T-shirt screen printers and sales to private label accounts; and
- The closing down by some of its competitors of manufacturing capacity.

The benefits that these factors have provided to Delta Apparel may decline as its competitors make similar or other changes to their operations. Such a change in competitive conditions, coupled with the long-term trend of declining prices for Delta Apparel's products, may cause Delta Apparel to incur operating losses or to use significant amounts of cash in its operations. Significant operating losses or significant uses by Delta Apparel of cash in its operations could cause Delta Apparel to be unable to pay its debts as they become due and to default on its credit facility, which would have an adverse effect on the value of the Delta Apparel shares.

IN THE PAST, DELTA APPAREL'S NEEDS FOR CASH HAVE GENERALLY BEEN MET BY ADVANCES FROM DELTA WOODSIDE. AFTER THE DELTA APPAREL DISTRIBUTION, DELTA APPAREL WILL BE ENTIRELY DEPENDENT ON ITS OWN OPERATIONS AND THIRD PARTY LENDERS TO OBTAIN NEEDED FINANCING.

After the Delta Apparel distribution, Delta Apparel will no longer have any affiliation with the Delta Mills Marketing Company textile business of Delta Woodside's subsidiary, Delta Mills. This affiliation has historically benefitted Delta Apparel because, until fiscal year 2000, Delta Mills Marketing Company was a significant source of needed funds for Delta Apparel's business. Since the end of fiscal 1999, Delta Mills Marketing Company has ceased being a source of funds for Delta Apparel, in part because Delta Apparel's operations have been generating cash in fiscal 2000 and in part because Delta Mills' Senior Note Indenture has not permitted dividends by Delta Mills to Delta Woodside

Prior to fiscal year 2000, when the Delta Apparel operations needed funds for operations or capital expenditures, it received those funds from Delta Woodside, which in turn received most of its funds from the positive cash flows generated by Delta Mills Marketing Company. During the three fiscal years ended July 3, 1999, Delta Apparel used an aggregate of \$41.7 million of cash provided by Delta Woodside (of which \$22.1 million was used to pay interest to Delta Woodside on the affiliated debt owed by the Delta Apparel Company division). During the six months ended January 1, 2000, Delta Apparel generated \$10.7 million of cash from operations and reduced the balance of the affiliated debt to Delta Woodside by \$9.9 million. Both the cash generated from operations and the reduction in affiliated debt was after the effect of \$4.2 million in

interest charges on debt owed to Delta Woodside.

In addition, lenders to Delta Apparel as a stand alone company will not be able to take advantage of the diversification of risk that might be provided by lending to a business that had more than one operation, which may in some circumstances adversely affect Delta Apparel's ability to obtain financing on acceptable terms.

DELTA APPAREL'S REVOLVING CREDIT FACILITY MAY NOT BE AVAILABLE OR SUFFICIENT TO SATISFY DELTA APPAREL'S NEEDS FOR WORKING CAPITAL.

Delta Apparel expects that its peak borrowing needs will be in its third and fourth fiscal quarters and that during those quarters it may need to draw or set aside for letters of credit an aggregate of approximately \$15 million under its revolving credit facility for working capital purposes and letters of credit. Approximately forty-five percent of the face amount of outstanding documentary letters of credit will reduce the amount available under the revolving credit facility for working capital loans.

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Delta Apparel's ability to borrow under its \$25 million revolving credit facility will be based upon, and thereby limited by, the amounts of its accounts receivable and inventory. Any material deterioration in Delta Apparel's results of operations could, therefore, result in a reduction in Delta Apparel's borrowing base, which could cause Delta Apparel to lose its ability to borrow additional amounts under its revolving credit facility or to issue additional letters of credit to suppliers. In such a circumstance, the borrowing availability under Delta Apparel's credit facility may not be sufficient for Delta Apparel's working capital needs.

DEMAND FOR AND PRICING OF DELTA APPAREL'S PRODUCTS ARE LARGELY OUT OF DELTA APPAREL'S CONTROL. EVEN THOUGH DELTA APPAREL'S STRATEGY IS TO BE A LOW COST PRODUCER WITH A REPUTATION FOR QUALITY SERVICE, THIS STRATEGY MAY NOT BE SUFFICIENT TO OFFSET DETRIMENTAL TRENDS IN DEMAND AND PRICING FOR DELTA APPAREL'S PRODUCTS.

Prices for Delta Apparel's products have generally been dropping over the last several years, even though demand for Delta Apparel's products has increased since fiscal year 1998. The price declines have resulted from factors largely outside Delta Apparel's control, such as excess supply capacity, the industry's transfer of manufacturing out of the United States and declining raw material prices. Demand for Delta Apparel's products is dependent on the general demand for T-shirts and fleece goods.

Delta Apparel's strategy in this market environment is to be a low cost producer and to differentiate itself by providing quality service to its customers. Even if this strategy is successful, its results may be offset by large demand or price declines.

DELTA APPAREL PURCHASES SIGNIFICANT AMOUNTS OF COTTON IN ITS BUSINESS. AS A RESULT, EVEN SMALL INCREASES IN THE PRICE OF COTTON CAN SIGNIFICANTLY INCREASE DELTA APPAREL'S PRODUCT COSTS.

Delta Apparel's principal raw material is cotton. In fiscal year 2000 Delta Apparel expects to use approximately 40 million pounds of cotton in its manufacture of yarn. Accordingly, a one cent per pound increase in the average price of cotton during that period would increase Delta Apparel's product costs by approximately \$400,000.

The recent improvements in Delta Apparel's results of operations have been due in part to the fact that cotton prices have declined over the last few years. Delta Apparel has contracts that fix the prices it pays for cotton for a significant portion of its short-term requirements, but these contracts provide no price protection in the longer term. If cotton prices were to increase, Delta Apparel may not be able to increase the prices of its products to offset the corresponding increases in its product costs.

DELTA APPAREL'S ABILITY TO EXPAND PRODUCTION SIGNIFICANTLY IS LIMITED.

Delta Apparel's ability to increase production is constrained primarily by the capacity of its textile manufacturing operation. The ability of Delta Apparel to acquire fabric from outside sources is limited, and relatively significant capital expenditures would be required to expand the productive capacity of its Maiden, North Carolina textile plant.

DELTA APPAREL FACES INTENSE COMPETITION IN ITS MARKETS, AND DELTA APPAREL'S FINANCIAL RESOURCES ARE NOT AS GREAT AS SEVERAL OF ITS COMPETITORS.

The domestic apparel industry is highly competitive. In part because there are low economic barriers to entry into the apparel manufacturing business, a large number of domestic and foreign manufacturers supply apparel into the United States market.

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Approximately three-quarters of the United States market sales of knit apparel are made by three major knit apparel manufacturers that are Delta Apparel's primary competitors. These primary competitors have brand names, such as Fruit-of-the-Loom, Hanes and Russell that are far better known than the Delta Apparel brand name. Based on mill dozens sold in 1998, Delta Apparel has an approximate 5% share of the market for decorated T-shirts for wholesalers and screen printers, which makes it a second tier supplier to the market.

Some of Delta Apparel's competitors have substantially greater financial, marketing, personnel and other resources than does Delta Apparel. This may enable Delta Apparel's competitors to compete more aggressively than can Delta Apparel in pricing, marketing and other respects, to react more quickly to market trends and to better weather market downturns.

THE FINANCIAL DIFFICULTIES OF SOME OF DELTA APPAREL'S COMPETITORS IS CURRENTLY CREATING CONSIDERABLE UNCERTAINTY IN DELTA APPAREL'S MARKETS.

Currently, some of Delta Apparel's competitors are experiencing significant financial difficulties. These difficulties may lead these competitors to sell substantial amounts of goods at prices against which Delta Apparel cannot effectively compete.

THERE MAY BE LITTLE INSTITUTIONAL INTEREST, RESEARCH COVERAGE OR TRADING VOLUME IN THE DELTA APPAREL SHARES BECAUSE OF DELTA APPAREL'S SIZE. IN ADDITION, AT THE TIME OF THE DELTA APPAREL DISTRIBUTION A LARGE PERCENTAGE OF THE OUTSTANDING DELTA APPAREL SHARES WILL BE HELD BY A FEW INSTITUTIONAL INVESTORS WHO WILL BE FREE TO SELL THEIR DELTA APPAREL SHARES AT ANY TIME. THESE FACTORS COULD HAVE A MAJOR DEPRESSIVE EFFECT ON THE MARKET PRICE OF THE DELTA APPAREL SHARES FOR AN INDETERMINATE PERIOD OF TIME.

Various investment banking firms have informed Delta Woodside and Delta Apparel that public companies with relatively small market capitalizations have difficulty generating institutional interest, research coverage or trading volume, which illiquidity can translate into price discounts as compared to industry peers or to the shares' inherent value. Delta Apparel believes that the market will perceive it to have a relatively small market capitalization. In addition, some of Delta Woodside's stockholders who receive Delta Apparel shares in the Delta Apparel distribution may wish to dispose of those shares because they do not meet the stockholders' investment objectives regardless of the shares' value or prospects. Moreover, the financial difficulties of other companies in Delta Apparel's industry are likely to have a depressive effect on the market for the Delta Apparel shares. Coupled with Delta Apparel's history of operating losses, these factors could lead to Delta Apparel's shares trading at prices that are significantly lower than Delta Apparel's estimate of their inherent value.

As of the Delta Apparel distribution date, Delta Apparel will have outstanding approximately 2,400,000 shares of common stock. Delta Apparel believes that approximately 67.8% of this stock will be beneficially owned by persons who beneficially own more than 5% of the outstanding shares of Delta Apparel common stock and related individuals, and that of this approximately 30.7% of the outstanding stock will be beneficially owned by institutional investors. Sales of substantial amounts of Delta Apparel common stock in the public market after the Delta Apparel distribution by any of these large holders could adversely affect the market price of the common stock.

POLITICAL AND ECONOMIC UNCERTAINTY IN HONDURAS COULD ADVERSELY AFFECT DELTA APPAREL.

Delta Apparel has two company-operated sewing facilities located in Honduras. The Honduran labor market has recently tightened, which has had some adverse effects on most industries located in Honduras. In addition, Delta Apparel might be adversely affected if economic or legal changes occur in Honduras that affect the way in which Delta Apparel conducts its business in

that country. For example, a growing economy could lower unemployment which could increase wage rates or make it difficult to retain employees or employ enough people to meet demand. The government could also decide to add additional holidays or change employment law increasing Delta Apparel's costs to produce.

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#### DELTA APPAREL'S RESULTS COULD BE ADVERSELY AFFECTED BY U.S. TRADE REGULATIONS.

Delta Apparel's products are subject to foreign competition, which in the past has been faced with significant U.S. government import restrictions. Foreign producers of apparel often have significant labor cost advantages. Given the number of these foreign producers, the substantial elimination of import protections that protect domestic apparel producers could materially adversely affect Delta Apparel's business. The extent of import protection afforded to domestic apparel producers has been, and is likely to remain, subject to considerable political considerations.

The North American Free Trade Agreement (which this document refers to as "NAFTA"), became effective on January 1, 1994 and has created a free-trade zone among Canada, Mexico and the United States. NAFTA contains a rule of origin requirement that products be produced in one of the three countries in order to benefit from the agreement. NAFTA has phased out all trade restrictions and tariffs among the three countries on apparel products competitive with those of Delta Apparel. Because most of Delta Apparel's internal production of apparel currently occurs outside of the NAFTA territory, NAFTA may adversely affect Delta Apparel so long as Delta Apparel has manufacturing facilities outside of the three NAFTA countries.

Delta Apparel, along with all of its major competition, makes use of provisions of the tariff code that are commonly referred to as Section 807 and Section 807A. Section 807 provides for the duty free treatment of United States origin components used in the assembly of imported articles. The result is that duty is assessed only on the value of any foreign components that may be present and the labor cost incurred offshore in the assembly of apparel using United States origin fabric components. Pursuant to Section 807A, apparel articles assembled in a Caribbean country (such as Honduras), in which all fabric components have been wholly formed and cut in the United States (such as at Delta Apparel's Maiden plant in North Carolina), are subject to preferential quotas with respect to access into the United States for such qualifying apparel, in addition to the significant tariff reduction pursuant to Section 807. Apparel not meeting the criteria of Section 807, Section 807A or NAFTA is subject to quotas and/or relatively higher tariffs. Delta Apparel believes that, if Section 807 or Section 807A or any similar program were repealed or altered in whole or in part, Delta Apparel would be at a serious competitive disadvantage relative to textile and apparel manufacturers in the rest of the world seeking to enter the United States market.

The World Trade Organization (which this document refers to as the "WTO"), a new multilateral trade organization, was formed in January 1995 and is the successor to the General Agreement on Tariffs and Trade. This new multilateral trade organization has set forth mechanisms by which world trade in clothing is being progressively liberalized by phasing-out quotas and reducing duties over a period of time that began in January of 1995. As it implements the WTO mechanisms, the U.S. government is negotiating bilateral trade agreements with developing countries (which are generally exporters of textile and apparel products) that are members of the WTO to get them to reduce their tariffs on imports of textiles and apparel in exchange for reductions by the United States in tariffs on imports of textiles and apparel. The elimination of quotas and the reduction of tariffs under the WTO may result in increased imports of certain apparel products into North America. These factors could make Delta Apparel's products less competitive against low cost imports from developing countries.

#### DELTA APPAREL IS DEPENDENT ON ITS TRADEMARKS.

Delta Apparel relies on the strength of its trademarks. Approximately 75% of Delta Apparel's products are currently sold under the Delta Apparel brand. Delta Apparel has incurred legal costs in the past to establish and protect its trademarks, but this cost has not been significant. Delta Apparel may in the future be required to expend resources to protect these trademarks. The loss or limitation of the exclusive right to use its trademarks could adversely affect Delta Apparel's sales and results of operations.

A LOSS OF KEY MANAGEMENT PERSONNEL, PARTICULARLY ROBERT W. HUMPHREYS, COULD ADVERSELY AFFECT DELTA APPAREL.

Delta Apparel's success depends upon the talents and efforts of a small number of key management personnel, particularly Robert W. Humphreys (President and Chief Executive Officer of Delta Apparel). The loss or interruption of the services of these executives could have a material adverse effect on Delta Apparel. Delta Apparel has no assurance that it would be able to find replacements for its key management with equivalent skills or experience in a timely manner or at all.

DELTA APPAREL'S BUSINESS IS SEASONAL.

Historically, Delta Apparel's business has been seasonal, with peak sales occurring in the first and fourth quarters of its fiscal year. In response to this seasonality, Delta Apparel generally increases its inventory levels, and thereby has higher working capital needs, during the third and fourth quarters of its fiscal year to meet customer demands for the peak first and fourth fiscal quarter seasons.

DELTA APPAREL'S RESULTS WILL LIKELY BE CYCLICAL.

Delta Apparel and the U.S. apparel industry are sensitive to the business cycle of the national economy. Moreover, the popularity, supply and demand for particular apparel products can change significantly from year to year based on prevailing fashion trends and other factors.

Reflecting the cyclical nature of the apparel industry, many apparel producers tend to increase capacity during years in which sales are strong. These increases in capacity tend to accelerate a general economic downturn in the apparel markets when demand weakens.

These factors have contributed historically to fluctuations in Delta Apparel's results of operations and these fluctuations are expected to occur in the future. Delta Apparel may be unable to compete successfully in any industry downturn.

DELTA APPAREL DEPENDS ON OUTSIDE PRODUCTION FOR A SIGNIFICANT PORTION OF ITS PRODUCTION.

Delta Apparel currently sources 25% to 40% of the sewing production it requires. Any shortage of supply or significant price increases from Delta Apparel's suppliers could adversely affect Delta Apparel's results of operations.

DELTA APPAREL MAY BE ADVERSELY AFFECTED BY THE AMOUNT OF ITS INDEBTEDNESS.

As of January 1, 2000, on a pro forma basis, after giving effect to the Delta Apparel distribution, Delta Apparel's total indebtedness would have been approximately \$17.8 million, and total stockholders' equity would have been approximately \$44.4 million, resulting in a pro forma ratio of total long-term debt (including current maturities of long-term debt) to total capitalization (including current maturities of long-term debt) of 29%. In addition, at that date and after giving effect to the Delta Apparel distribution, approximately \$16.1 million of additional borrowing capacity would have been available (pursuant to the borrowing base formula) under Delta Apparel's credit agreement.

Delta Apparel anticipates that its borrowing needs will be seasonal, with its greatest borrowing needs to be during the third and fourth fiscal quarters. Delta Apparel is not certain that the borrowing availability under its credit agreement will be sufficient to satisfy its borrowing needs, particularly during the periods of greatest need.

The level of Delta Apparel's indebtedness could have important consequences, such as:

- (i) a substantial portion of Delta Apparel's cash flow from operations will be dedicated to the payment of indebtedness, which will reduce the funds available to Delta Apparel for operations or to take advantage of business opportunities and may make Delta Apparel more vulnerable to changes in the industry and economic conditions; and

- (ii) Delta Apparel's borrowings under its credit agreement will bear interest at variable rates, which could result in higher interest expense in the event of an increase in interest rates.

Delta Apparel believes, based on current circumstances, that Delta Apparel's cash flow, together with available borrowings under its credit agreement, will be sufficient to permit Delta Apparel to meet its operating expenses and anticipated capital expenditures and to service its debt requirements as they become due for the foreseeable future. Significant assumptions underlie this belief, however, including, among other matters, that Delta Apparel will succeed in implementing its business strategy and that there will be no material adverse developments in the business, markets, operating performance, liquidity or capital requirements of Delta Apparel. Actual future results will be dependent to a large degree on a number of factors beyond Delta Apparel's control. If Delta Apparel is unable to service its indebtedness, it will be required to adopt alternative strategies, which may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing its indebtedness or seeking additional equity capital. Delta Apparel may not be able to implement any of these strategies.

DELTA APPAREL'S CREDIT AGREEMENT WILL IMPOSE RESTRICTIONS THAT, IF BREACHED BY DELTA APPAREL, MAY PREVENT IT FROM BORROWING UNDER ITS REVOLVING CREDIT FACILITY AND RESULT IN THE EXERCISE OF REMEDIES BY THE CREDIT AGREEMENT LENDER.

Delta Apparel's credit agreement will contain covenants that restrict, among other things, the ability of Delta Apparel and its subsidiaries to incur indebtedness, create liens, consolidate, merge, sell assets or make investments. The credit agreement will also contain customary representations and warranties, funding conditions and events of default.

A breach of one or more covenants or any other event of default under the Delta Apparel credit agreement could result in an acceleration of Delta Apparel's obligations under that agreement, in the foreclosure on any assets subject to liens in favor of the credit agreement's lenders and in the inability of Delta Apparel to borrow additional amounts under the credit agreement.

ENVIRONMENTAL RULES COULD ADVERSELY AFFECT DELTA APPAREL.

Delta Apparel's operations must meet extensive federal, state and local regulatory standards in the areas of safety, health and environmental pollution controls. In addition, there can be no assurance that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, the extent of Delta Apparel's liability, if any, for past failures to comply with laws, regulations and permits applicable to its operations cannot be determined.

DELTA APPAREL WILL PAY NO DIVIDENDS FOR THE FORESEEABLE FUTURE.

Delta Apparel anticipates that it will pay no dividends to you or its other stockholders for the foreseeable future. Delta Apparel's credit agreement also will limit Delta Apparel's ability to pay dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Dividends and Purchases by Delta Apparel of its Own Shares".

AFTER THE DELTA APPAREL DISTRIBUTION, DELTA APPAREL WILL BE REQUIRED TO PERFORM VARIOUS ADMINISTRATIVE FUNCTIONS THAT WERE PREVIOUSLY PROVIDED BY DELTA WOODSIDE AND AS TO WHICH DELTA APPAREL DOES NOT HAVE EXTENSIVE EXPERIENCE.

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Delta Apparel has historically relied upon Delta Woodside corporate headquarters for administrative services in areas including financial planning, SEC reporting, payroll, accounting, internal audit, employee benefits and services, stockholder services, insurance, treasury, purchasing, cotton procurement, management information services, and tax accounting. After the Delta Apparel distribution, Delta Apparel will be responsible for performing these administrative functions. Delta Apparel does not have extensive experience in performing these functions on its own.

DELTA APPAREL MAY BE RESPONSIBLE FOR ANY HISTORICAL TAX LIABILITIES OF DELTA WOODSIDE AND DUCK HEAD THAT DELTA WOODSIDE OR DUCK HEAD DOES NOT PAY.

Prior to the Delta Apparel distribution, Delta Apparel has been a member of Delta Woodside's consolidated group for federal income tax purposes. Each



member of a consolidated group is jointly and severally liable for the federal income tax liability of the other members of the group. After the Delta Apparel distribution, Delta Apparel, along with Delta Woodside and Duck Head, will continue to be liable for these Delta Woodside liabilities that were incurred for periods before the Delta Apparel distribution.

Delta Apparel, Delta Woodside and Duck Head will enter into a tax sharing agreement. This agreement generally will seek to allocate consolidated federal income tax liabilities to Delta Woodside for all periods prior to and including the Delta Apparel distribution. Under this agreement, Delta Woodside generally will retain the authority to file returns, respond to inquiries and conduct proceedings on Delta Apparel's behalf with respect to consolidated federal income tax returns for periods beginning before the Delta Apparel distribution. In addition, Delta Woodside has the authority to decide all disputes that arise under the tax sharing agreement. These arrangements may result in conflicts of interest among Delta Apparel, Delta Woodside and Duck Head. In addition, if Delta Woodside does not satisfy any of its liabilities respecting any period prior to the Delta Apparel distribution, Delta Apparel could be responsible for satisfying them, notwithstanding the tax sharing agreement.

#### DELTA APPAREL'S PRINCIPAL STOCKHOLDERS WILL EXERT SUBSTANTIAL INFLUENCE.

As of the Delta Apparel record date, three members of Delta Apparel's board of directors and related individuals had the voting power in Delta Woodside shares that, immediately after the Delta Apparel distribution, will result in voting power with respect to approximately 38.6% of the outstanding Delta Apparel common stock. These individuals will exert substantial influence with respect to all matters submitted to a vote of stockholders, including election of Delta Apparel's directors.

#### VARIOUS RESTRICTIONS AND AGREEMENTS COULD HINDER ANY ATTEMPT BY A THIRD PERSON TO CHANGE CONTROL OF DELTA APPAREL.

Delta Apparel has entered into a rights agreement providing for the issuance of rights that will cause substantial dilution to any person or group of persons that acquires 20% or more of the outstanding Delta Apparel common shares without the rights having been redeemed by the Delta Apparel board. In addition, Delta Apparel's articles of incorporation and bylaws and the Official Code of Georgia contain provisions that could delay or prevent a change in control of Delta Apparel in a transaction that is not approved by its board of directors. These include provisions requiring advance notification of stockholder nominations for director and stockholder proposals, setting forth additional factors to be considered by the board of directors in evaluating extraordinary transactions, prohibiting cumulative voting, limiting business combinations with stockholders having a significant beneficial ownership in Delta Apparel shares, and prohibiting stockholders from calling a special meeting. Moreover, Delta Apparel's board of directors has the authority, without further action by the stockholders, to set the terms of and to issue preferred stock. Issuing preferred stock could adversely affect the voting power of the owners of Delta Apparel common stock, including the loss of voting control to others.

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Delta Apparel's credit agreement also includes restrictions on the ability of Delta Apparel and its subsidiaries to pay dividends and make share repurchases. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Dividends and Purchases by Delta Apparel of its Own Shares".

All of these provisions could deter or prevent an acquirer that is interested in acquiring Delta Apparel from doing so. You can find more information on these provisions under the portions of this documents found under the heading "Description of Delta Apparel Capital Stock".

Bettis C. Rainsford, a director and significant stockholder of Delta Woodside and a director of Delta Apparel and Duck Head, filed with the SEC on December 14, 1999 an amendment to his Schedule 13D in which, among other matters, he stated that he was filing the amendment to disclose the fact that he is considering the possibility of making an offer to purchase those Delta Woodside shares that he does not currently own. The amendment stated that the terms and financing for any such offer had not yet been established by Mr. Rainsford.

Since the filing of this amendment to his Schedule 13D, Mr. Rainsford has

made no proposal to Delta Woodside to acquire Delta Woodside shares. If he were to make any such proposal, the Delta Woodside board would consider the terms of the offer in light of the board's views as to the best interests of the holders of the Delta Woodside shares. If the board concluded that any such offer were in the Delta Woodside stockholders' best interests, it would redeem the rights under the Delta Woodside shareholders' rights plan and permit the proposed transaction to take place. If the board concluded that the offer were not in the stockholders' best interests, it would not redeem the rights, which would effectively prevent the proposed transaction from taking place, unless a court were to order a different result.

In addition to the shareholder rights plan, Delta Woodside's articles of incorporation and bylaws and the South Carolina code contain provisions that could delay or prevent a change in control of Delta Woodside in a transaction not approved by its board of directors. These include provisions in the South Carolina code limiting business combinations with stockholders that have a significant beneficial ownership in Delta Woodside shares unless certain conditions are met and eliminating the voting rights of Delta Woodside shares acquired by holders of 20% or more of the outstanding voting power of Delta Woodside common stock unless voting power is approved by Delta Woodside's stockholders or limited statutory exceptions are satisfied, and provisions similar to those of Delta Apparel prohibiting stockholders from calling a special meeting, setting forth additional factors to be considered by the board of directors in evaluating extraordinary transactions, and requiring advance notification of stockholder nominations for director and stockholder proposals. If the Delta Woodside board were to conclude that any offer by Mr. Rainsford were not in the stockholders' best interests, it would rely upon these provisions to oppose Mr. Rainsford's attempts to gain control of additional Delta Woodside shares.

If Mr. Rainsford were to make any proposal to Delta Apparel to acquire Delta Apparel shares following the Delta Apparel distribution, the Delta Apparel board would consider the terms of the offer in light of the board's views as to the best interests of the holders of the Delta Apparel shares. If the board concluded that any such offer were in the Delta Apparel stockholders' best interests, it would redeem the rights under the Delta Apparel shareholders' rights plan and permit the proposed transaction to take place. If the board concluded that the offer were not in the Delta Apparel stockholders' best interests, it would not redeem the rights, which would effectively prevent the proposed transaction from taking place, unless a court were to order a different result.

In addition to the shareholder rights plan, Delta Apparel's articles of incorporation and bylaws and the Georgia code contain provisions that could delay or prevent a change in control of Delta Apparel in a transaction not approved by its board of directors. These include provisions in the Georgia code limiting business combinations with stockholders that have a significant beneficial ownership in Delta Apparel shares unless certain conditions are met, and provisions prohibiting stockholders from calling a special meeting, setting forth additional factors to be considered by the Delta Apparel board of directors in evaluating extraordinary transactions, and requiring advance notification of stockholder nominations for director and stockholder proposals. If the Delta Apparel board were to conclude that any offer by Mr. Rainsford were not in the stockholders' best interests, it would rely upon these provisions to oppose Mr. Rainsford's attempts to gain control of additional Delta Apparel shares.

The antitakeover provisions applicable to Delta Woodside and Delta Apparel were not adopted as a result of Mr. Rainsford's amendment to his Schedule 13D or the information contained in that amendment or in response to any other takeover communication.

The antitakeover provisions that are applicable to Delta Apparel do not materially differ from the antitakeover provisions that are applicable to Delta Woodside. The Delta Woodside shareholder rights plan does not contain the provisions in the Delta Apparel shareholder rights plan, described under the heading "Description of Delta Apparel Capital Stock - Rights Plan", relating to redemptions and extensions of time requiring the concurrence of a majority of Disinterested Directors. South Carolina, Delta Woodside's state of incorporation, has a control share acquisition act that eliminates the voting rights of Delta Woodside shares acquired by holders of 20% or more of the outstanding voting power of Delta Woodside's common stock unless voting power is approved by Delta Woodside's stockholders or limited statutory exceptions are

satisfied. Georgia, Delta Apparel's state of incorporation, does not have a comparable act. South Carolina also has a business combinations act analogous, but not identical, to that of Georgia described under the heading "Description of Delta Apparel Capital Stock - Other Provisions Respecting Stockholder Rights and Extraordinary Transactions - Georgia Business Combinations Statute." South Carolina's business combinations act may apply to Delta Apparel depending primarily upon whether it has, at the time of determination, more than 40% of its assets in South Carolina.

THE DELTA APPAREL DISTRIBUTION

PARTIES TO THE DISTRIBUTION AGREEMENT

Delta Woodside  
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Delta Woodside is a South Carolina corporation with its principal executive offices located at 233 North Main Street, Suite 200, Greenville, South Carolina 29601 (telephone number: 864-232-8301).

Prior to the Delta Apparel distribution, Delta Woodside and its subsidiaries had three operating divisions: Delta Mills Marketing Company, Delta Apparel Company and Duck Head Apparel Company.

- Delta Mills Marketing Company produces a range of cotton, synthetic and blended finished and unfinished woven products that are sold for the ultimate production of apparel, home furnishings and other products. After the Delta Apparel distribution and the Duck Head distribution, Delta Mills Marketing Company will remain the only continuing Delta Woodside operation.
- Pursuant to the Delta Apparel distribution, Delta Woodside will distribute to its stockholders all of the outstanding common stock of Delta Apparel, which will continue the business formerly conducted by the Delta Apparel Company division of various subsidiaries of Delta Woodside. For a description of the business of the Delta Apparel Company division, see the information under the heading "Business of Delta Apparel".
- Simultaneously with the Delta Apparel distribution, Delta Woodside will, pursuant to the Duck Head distribution, distribute to its stockholders all of the outstanding stock of Duck Head, which will continue the business formerly conducted by the Duck Head Apparel Company division of various subsidiaries of Delta Woodside. For a description of the business of the Duck Head Apparel Company division, see the information below under the subheading "Duck Head".

Delta Apparel  
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Delta Apparel is a Georgia corporation with its principal executive offices located at 3355 Breckinridge Blvd., Suite 100, Duluth, Georgia 30096 (telephone number: 770-806-6800).

Duck Head  
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Duck Head is a Georgia corporation with its principal executive offices located at 1020 Barrow Industrial Parkway, P.O. Box 688, Winder, Georgia 30680 (telephone number: 770-867-3111). Duck Head's business is designing, sourcing, producing, marketing and distributing boys' and men's value-oriented casual sportswear predominantly under the 134-year-old nationally recognized "Duck Head" (Reg. Trademark) label.

BACKGROUND OF THE DELTA APPAREL DISTRIBUTION

Since the middle of its 1998 fiscal year, Delta Woodside's board of directors has explored various means, in addition to effectively operating Delta Woodside's businesses, to enhance stockholder value.

On March 9, 1998, Delta Woodside announced that it was withdrawing from the circular knit fabrics business, which had operated under the name of Stevcoknit

Fabrics Company, and would be selling or closing and liquidating its two knitting, dyeing and finishing plants in Wallace, North Carolina, and its yarn spinning plant in Spartanburg, South Carolina. In the announcement, Delta Woodside also stated that it had decided to sell its Nautilus International fitness equipment division, and had retained an investment banking firm to handle the sale.

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Delta Woodside completed most of the liquidation and sale of the Stevcoknit Fabrics Company division during its 1998 fiscal year. The Nautilus International sale was consummated in January 1999.

On September 15, 1998, Delta Woodside announced that its board of directors had approved a plan to purchase from time to time up to 2,500,000 outstanding Delta Woodside common shares at prices and at times at the discretion of Delta Woodside's top management. The announcement stated that Delta Woodside believed that, at times, its stock price was undervalued and that these purchases would enhance stockholder value.

At a meeting on October 9, 1998, the Delta Woodside board of directors made the decision to sell the Duck Head Apparel Company division. To assist in this transaction, Delta Woodside hired an investment banking firm.

On January 21, 1999, Delta Woodside announced that it had had discussions with third parties with respect to a possible sale of the Duck Head Apparel Company division, and that, based on these discussions, Delta Woodside was continuing to explore strategic alternatives for the Duck Head Apparel Company division, but could not be reasonably certain that a transaction on satisfactory terms would be consummated in the near future. The announcement stated that, for this reason, Delta Woodside had made the decision to continue to report the Duck Head Apparel Company division as a part of continuing operations.

At a meeting on February 4, 1999, the Delta Woodside board of directors approved a plan to effect a major restructuring of Delta Woodside. This restructuring would have involved the spin-off to the Delta Woodside stockholders of each of Delta Woodside's two apparel divisions, leaving the Delta Mills, Inc. subsidiary, and its operating division, Delta Mills Marketing Company, in Delta Woodside. Simultaneously with the spin-off, Delta Woodside would have been sold to a third party buyer not yet identified. Under this plan, the Delta Woodside stockholders would have received, for their shares of Delta Woodside common stock, shares of each of the new spun-off apparel companies and cash for their post spin-off Delta Woodside shares. The plan would have been subject to the approval of the Delta Woodside stockholders. If the plan had been approved by the requisite stockholder vote, the Rainsford plant in Edgefield, South Carolina, would have been sold by the Delta Mills, Inc. subsidiary to the Delta Apparel Company division, the Delta Apparel Company division and the Duck Head Apparel Company division would have been separated into two corporations, and the stock of each of the Delta Apparel corporation and the Duck Head corporation would have been distributed to all of the Delta Woodside stockholders. The Delta Woodside board of directors decided that Delta Woodside would promptly begin the process of soliciting offers for the purchase of the post spin-off Delta Woodside common stock, and that Delta Woodside would retain an investment banking firm to assist in the implementation of this restructuring plan.

On March 16, 1999, Delta Woodside announced that Robert Rockey was assuming the position of chief executive officer of the Duck Head Apparel Company division, effective immediately. The announcement stated that, after the planned spin-off of the Duck Head Apparel Company operation, Mr. Rockey would serve as chairman and chief executive officer of that new separate corporation.

On March 23, 1999, Delta Woodside announced that it had engaged Prudential Securities Incorporated (which this document refers to as "Prudential Securities") to advise the Delta Woodside board of directors with respect to the previously announced plan to sell the portion of Delta Woodside remaining after the distribution to the Delta Woodside stockholders of the shares of stock of Delta Woodside's apparel businesses. The announcement also stated that the Duck Head Apparel Company division was no longer for sale.

Following this announcement, Delta Woodside provided information--- to nineteen companies respecting a possible sale of the remaining Delta Woodside. None of these potential purchasers, however, made an offer for the remaining Delta Woodside that Delta Woodside considered to be satisfactory.

On April 21, 1999, Delta Woodside announced that Robert W. Humphreys was assuming the position of president and chief executive officer of the Delta Apparel Company division. The announcement stated that, after the planned spin-off of the Delta Apparel Company operation, Mr. Humphreys would serve as the president and chief executive officer of that new separate corporation.

At a meeting on June 24, 1999, the Delta Woodside board of directors decided to terminate the process of attempting to sell a post-spin-off Delta Woodside comprised solely of Delta Mills Marketing Company in line with its previously-announced plan, because it had not received any satisfactory offer for the business. The Board determined to continue to explore other strategies to enhance stockholder value, including: (1) the purchase of the Duck Head Apparel Company division and the Delta Apparel Company division by the Delta Mills, Inc. subsidiary, or (2) a spin-off/recapitalization in which the apparel divisions would be spun-off to the Delta Woodside stockholders as separate public companies, and substantial cash would be paid out to stockholders from new borrowings by the remaining Delta Woodside.

- Under the purchase of the Duck Head Apparel Company division and the Delta Apparel Company division by Delta Mills, Inc. scenario, Delta Woodside, through its wholly-owned subsidiary, Delta Mills, Inc., would have continued to own the Duck Head Apparel Company division and the Delta Apparel Company division. This internal ownership restructuring could, however, have provided Delta Woodside with substantial cash, because Delta Mills, Inc. then had a substantial cash position and its senior note indenture would have permitted it to use cash for this purpose but not for the purpose of making dividend payments to its parent company, Delta Woodside. If this purchase scenario had been adopted, Delta Woodside could have used the cash provided by Delta Mills, Inc. in the purchase to make acquisitions of Delta Woodside common stock or other businesses, or for other purposes.
- Under the spin-off/recapitalization scenario, Delta Woodside stockholders would have received, for their Delta Woodside common shares, shares of each of the new spun-off apparel companies, cash and stock in the remaining Delta Woodside. Also, additional shares of the remaining Delta Woodside (representing more than 20% of the then outstanding shares of the remaining Delta Woodside) would have been sold to members of management of Delta Mills Marketing Company. Consummation of the spin-off/recapitalization transaction was to be conditioned upon receiving a favorable vote of the Delta Woodside stockholders.

Following this announcement, Delta Woodside, with the assistance of Prudential Securities, explored the possibility of Delta Mills, Inc. refinancing its existing \$150 million of 9-5/8% Senior Notes with a larger issue of indebtedness in order to effect the proposed recapitalization. During the time frame of this examination, however, the interest rates payable by issuers of new senior debt in the textile and apparel industries became higher than were deemed acceptable by the Delta Woodside board of directors.

On August 20, 1999, Delta Woodside announced that, due to weakness in the bond market, Delta Woodside believed that its previously announced recapitalization/spin-off strategy was not feasible at that time. Delta Woodside further announced that, because Delta Woodside believed that its stockholders would best be served by separating the operating companies, Delta Woodside did not plan to pursue the acquisition of the two apparel divisions by its textile subsidiary, Delta Mills, Inc., at that time. The announcement also stated that Delta Woodside was continuing to explore strategic alternatives to accomplish the separation of its operating companies, and would announce specific plans in the upcoming months.

On October 4, 1999, Delta Woodside announced that it planned to spin off to the Delta Woodside stockholders its two apparel businesses (Delta Apparel Company and Duck Head Apparel Company) as two separate publicly-owned corporations. The announcement further stated that Delta Woodside was in the process of transferring various corporate functions to its three operating divisions (Delta Mills Marketing Company, Delta Apparel Company and Duck Head Apparel Company). The announcement stated that, upon the complete transfer of

these functions or at the time of the spin-offs (as appropriate), the functions then being performed at the Delta Woodside level would no longer need to be performed at that level, and the executive officers of Delta Woodside would resign their positions with Delta Woodside. The announcement stated that, upon consummation of the spin-offs, Delta Mills Marketing Company would be Delta Woodside's sole remaining business, and William Garrett, the head of the Delta Mills Marketing Company division, would become President and Chief Executive Officer of the remaining Delta Woodside. The announcement stated that, in connection with the proposed spin-offs, significant equity incentives, in the form of stock options and incentive stock awards for the new public companies' stock, would be granted to the managements of the new companies. The announcement stated that Delta Woodside could not determine at that time whether the receipt of the apparel companies' stock would, or would not, be taxable to the Delta Woodside stockholders for Federal income tax purposes, but that, at the time that Delta Woodside had sufficient information to determine the appropriate Federal income tax treatment of the spin-offs, it would promptly provide the necessary income tax information to the Delta Woodside stockholders. The announcement stated that Delta Woodside believed that, even if the spin-offs were determined to be taxable for Federal income tax purposes, the spin-offs would still be in the best interests of Delta Woodside's stockholders.

On December 13, 1999, Delta Woodside announced that its board of directors had adopted a shareholders rights plan pursuant to which stock purchase rights have been distributed as a dividend to the Delta Woodside stockholders at a rate of one right for each Delta Woodside share held of record as of December 22, 1999. Delta Woodside stated that the rights plan is designed to enhance the Delta Woodside board's ability to prevent any person interested in acquiring control of Delta Woodside from depriving stockholders of the long-term value of their investment and to protect shareholders against attempts to acquire Delta Woodside by means of unfair or abusive takeover tactics. Delta Woodside stated that its board had adopted the rights plan at that time because the Delta Woodside shares were trading at their lowest levels in Delta Woodside's history.

At the same time, Delta Woodside announced that its board had approved a plan to purchase from time to time up to an aggregate of 5,000,000 shares of Delta Woodside's outstanding stock at prices and at times at the discretion of Delta Woodside's top management. The announcement stated that this stock repurchase plan replaces the 2,500,000 stock purchase plan announced by Delta Woodside in September 1998.

On December 30, 1999, Delta Woodside announced that each of Duck Head and Delta Apparel had filed a registration statement with the SEC to register the subsidiary's stock under the Securities Exchange Act of 1934, and that these filings were pursuant to the previously announced plan of Delta Woodside to spin off to its stockholders the Delta Apparel Company division and the Duck Head Apparel Company division as two separate publicly-owned corporations. Delta Woodside also stated that, following completion of the spin-offs, Delta Woodside intends to propose to its stockholders the adoption of a new Delta Woodside stock option plan and a new Delta Woodside incentive stock award plan pursuant to which significant equity incentives could be granted to the new management of Delta Woodside.

#### REASONS FOR THE DELTA APPAREL DISTRIBUTION

Since the summer of 1998, Delta Woodside's board of directors has been engaged in the process of exploring various means to maximize stockholder value. The alternatives that the Delta Woodside Board has examined have included:

- (a) A potential sale of the Duck Head Apparel Company division;
- (b) A pro rata tax-free spin-off of Delta Woodside's two apparel businesses to Delta Woodside's stockholders accompanied by a sale of the remaining company;
- (c) A pro rata tax-free spin-off of Delta Woodside's two apparel businesses to Delta Woodside's stockholders accompanied by a recapitalization of the remaining company that would involve a cash distribution to Delta Woodside's stockholders by that remaining company;
- (d) A pro rata tax-free spin-off of Delta Woodside's two apparel businesses to Delta Woodside's stockholders;
- (e) A pro rata taxable spin-off of Delta Woodside's two apparel businesses to Delta Woodside's stockholders;

- (f) A disproportionate tax-free spin-off of one of Delta Woodside's apparel businesses to one of Delta Woodside's major stockholders accompanied by a pro rata tax-free spin-off of the other apparel business to all the other stockholders;
- (g) A potential sale of the Delta Apparel Company business or assets;
- (h) A purchase by Delta Mills, Inc. of the Delta Apparel Company and the Duck Head Apparel Company businesses; and
- (i) Leaving Delta Woodside's three businesses in Delta Woodside in their current corporate form.

During the course of this exploration, the Delta Woodside board witnessed a deterioration of general market conditions in the textile and apparel industries. This deterioration caused the market's perceived values of textile and apparel businesses to decline significantly.

This decline, together with the information obtained by Delta Woodside in the process of exploring the alternatives described above, led the Delta Woodside board to conclude that:

- (i) Any sale or liquidation at this time or in the near future of any of Delta Woodside's businesses would, more likely than not, be at depressed and unacceptable prices; and
- (ii) Absent a change in circumstances, the interests of Delta Woodside and its stockholders would be best served by not pursuing the sale or liquidation of any of Delta Woodside's businesses at this time.

The Delta Woodside Board also determined that the best interests of Delta Woodside and its stockholders would not be served by pursuing at this time any of the additional alternatives described above other than a pro rata spin-off of Delta Woodside's two apparel businesses to Delta Woodside's stockholders. The major factors that led to this conclusion were the general market condition deterioration described above and:

- (1) Contractual constraints, which added significantly to the costs of those alternatives that required additional financing to be incurred by Delta Mills;
- (2) Unfavorable debt market conditions, particularly for debt issuances by textile and apparel companies;
- (3) Insufficient buyer interest in any of Delta Woodside's businesses at prices deemed sufficient by the Delta Woodside board;
- (4) The Delta Woodside board's belief in the future enhanced stockholder value available from separating Delta Woodside's businesses into separate companies; and

- (5) The Delta Woodside board's conclusion that the interests of Delta Woodside and its stockholders would be adversely affected by any decision of the Delta Woodside board to delay implementing the separation of its businesses. The Board believes that continuing uncertainty in the marketplace as to Delta Woodside's strategic plans is likely to be damaging the relations of one or more of Delta Woodside's businesses with certain of its respective suppliers and customers, and that continuing uncertainty by the employees of Delta Woodside and its subsidiaries as to Delta Woodside's strategic plans could cause Delta Woodside or its subsidiaries to lose valuable employees.

The Delta Woodside board, therefore, concluded that the best interests of Delta Woodside and its stockholders would be furthered by separating into distinct public companies Delta Woodside's three businesses (Delta Mills Marketing Company, Duck Head Apparel Company and Delta Apparel Company), and that the best method to accomplish this separation and thereby enhance stockholder value that is available to Delta Woodside at this time is to effect a pro rata spin-off to Delta Woodside's stockholders of each of Delta Woodside's

apparel businesses, whether that spin-off is tax-free or taxable for federal income tax purposes.

In reaching this determination, the Delta Woodside Board took into account its belief that the separation of Delta Woodside's three businesses will further the following objectives, among others, and thereby enhance stockholder value:

- (a) Permit the grant of equity incentives to the separate management of each business, which incentives would not be affected by the results of the other businesses and, therefore, would have excellent potential to align closely the interests of that management with those of the stockholders;
- (b) Permit the elimination of certain existing corporate overhead expenses that result from the current need to coordinate the operations of three distinct businesses that have separate modes of operation and markets;
- (c) As a reason to accomplish the Duck Head distribution, eliminate the complaints of certain customers of Delta Mills Marketing Company (which, as a supplier to those customers, has access to certain of their competitive information) that a competitor of theirs (Duck Head Apparel Company) is under common management with Delta Mills Marketing Company;
- (d) Permit each business to obtain, when needed, the best equity and debt financing possible without being affected by the operational results of the other businesses;
- (e) Permit each business to establish long-range plans geared toward the expected cyclicalities, competitive conditions and market trends in its own line of business, unaffected by the markets, needs and constraints of the other businesses;
- (f) Promote a more streamlined management structure for each of the three businesses, better able to respond quickly to customer and market demands; and
- (g) Permit the value of each of the three divisions to be more accurately reflected in the equity market by separating the results of each business from the other two businesses.

In reaching its conclusion, the Board also took into account the following additional factors:

- The opinion delivered to the Delta Woodside board by Houlihan Lokey Howard & Zukin Financial Advisors, Inc. that is described below;
- The advice provided to the Delta Woodside board by Prudential Securities that is described below;
- The financial information and statements of Delta Apparel set forth in this document under the heading, "Unaudited Pro Forma Combined Financial Statements", and at pages F-1 to F-22;

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- The Delta Woodside board's knowledge of the business, operations, assets and financial condition of Delta Apparel;
- Delta Apparel management's assessment of the prospects of Delta Apparel;
- The current and prospective economic environment in which Delta Apparel operates; and
- The terms of the distribution agreement and the tax sharing agreement.

This discussion of the information and factors considered by the Delta Woodside board is not meant to be exhaustive but is believed to include the material factors considered by the Delta Woodside board in authorizing the Delta Apparel distribution. The Delta Woodside board did not quantify or attach any particular weight to the various factors that it considered in reaching its determination that the Delta Apparel distribution, the Duck Head distribution and related transactions are advisable and in the best interests of Delta



Woodside and its stockholders. In reaching its determination, the Delta Woodside board took the various factors into account collectively and the Delta Woodside board did not perform a factor-by-factor analysis.

Opinion of Houlihan Lokey  
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Delta Woodside engaged Houlihan Lokey to provide to the Delta Woodside board and the Delta Apparel board an opinion as to the solvency of Delta Apparel as of the time of the Delta Apparel distribution. Delta Woodside selected Houlihan Lokey based on Houlihan Lokey's extensive experience in providing solvency opinions.

In consideration of its services in connection with the opinion described below and a similar opinion with respect to Duck Head, Houlihan Lokey will be paid a fee of \$200,000 plus reasonable out-of-pocket expenses. No portion of this fee is contingent upon the consummation of the Delta Apparel distribution or the Duck Head distribution or the conclusions reached in Houlihan Lokey's opinions. Delta Woodside has also agreed to provide indemnification to Houlihan Lokey and certain other parties with respect to certain matters. Houlihan Lokey has had no other material relationship with Delta Woodside or its subsidiaries during the past two years.

The preparation of a solvency opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. The following is a brief summary and general description of the solvency analysis and valuation methodologies utilized by Houlihan Lokey. Although the summary sets forth all material facts respecting the opinion of Houlihan Lokey, the summary does not purport to be a complete statement of the analyses and procedures applied, the judgments made or the conclusion reached by Houlihan Lokey or a complete description of its presentation to the Delta Woodside board or the Delta Apparel board. Houlihan Lokey believes, and so advised the Delta Woodside board and the Delta Apparel board, that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all factors and analyses, could create an incomplete view of the process underlying its analyses and opinions.

The Delta Apparel distribution and other related transactions disclosed to Houlihan Lokey are referred to collectively in this summary as the "Transaction." For purposes of its opinion, Houlihan Lokey assumed that the third party financing described in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" will be entered into on or about the date of the Delta Apparel distribution and that, prior to the Delta Apparel distribution, the intercompany reorganization described in "Relationships Among Delta Apparel, Delta Woodside and Duck Head - Distribution Agreement" will be completed.

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Delta Woodside's board of directors has requested that Houlihan Lokey render its written opinion to the Delta Woodside board and the Delta Apparel board as to whether, assuming the Transaction has been consummated as proposed, immediately after and giving effect to the Transaction: (a) on a pro forma basis, the fair value and present fair saleable value of Delta Apparel would exceed its respective stated liabilities and identified contingent liabilities, (b) Delta Apparel should be able to pay its debts as they become absolute and mature; (c) the capital remaining in Delta Apparel after the Transaction would not be unreasonably small for the business in which Delta Apparel is engaged, as management has indicated it is now conducted and is proposed to be conducted following the consummation of the Transaction; and (d) the financial test for distributions of the state of incorporation of Delta Apparel (i.e. Georgia) has been satisfied.

Houlihan Lokey's opinion does not address Delta Woodside's underlying business decision to effect the Transaction. Houlihan Lokey has not been requested to, and did not, solicit third party indications of interest in acquiring all or part of Delta Apparel.

In connection with the preparation of its opinion, Houlihan Lokey made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Houlihan Lokey:

- (i) reviewed Delta Apparel's annual financial statements for the 1997, 1998 and 1999 fiscal years and year-to-date statements for the first six months of fiscal year 2000, which Delta Apparel's and Delta

Woodside's managements have identified as the most current information available;

- (ii) reviewed the proposal from the third party lender to provide Delta Apparel revolving credit and term loan facilities;
- (iii) spoke with certain members of the senior management of Delta Woodside and Delta Apparel to discuss the operations, financial condition, future prospects and projected operations and performance of Delta Apparel;
- (iv) toured the Edgefield, SC (Rainsford) and Maiden, NC manufacturing facilities of Delta Apparel;
- (v) reviewed forecasts and projections prepared by Delta Apparel's management with respect to the periods ended January 1, 2000 through fiscal year 2004;
- (vi) reviewed marketing and promotional material relating to Delta Apparel;
- (vii) reviewed the preliminary registration statement filed with the SEC for Delta Apparel;
- (viii) reviewed other publicly available financial data for Delta Apparel and certain companies that Houlihan Lokey deems comparable to Delta Apparel; and
- (ix) conducted such other studies, analyses and investigations as Houlihan Lokey has deemed appropriate.

In assessing the solvency of Delta Apparel immediately after and giving effect to the Transaction, Houlihan Lokey:

- (i) analyzed the fair value and present fair saleable value of Delta Apparel's assets relative to Delta Apparel's stated liabilities and identified contingent liabilities on a pro forma basis ("balance sheet test");
- (ii) assessed Delta Apparel's ability to pay its debts as they become absolute and mature ("cash flow test"); and
- (iii) assessed the capital remaining in Delta Apparel after the Transaction so as not to be unreasonably small ("reasonable capital test").

#### Balance Sheet Test

The Balance Sheet Test determines whether or not the fair value and present fair salable value of Delta Apparel's assets exceeds its stated liabilities and identified contingent liabilities after giving effect to the Transaction. This test requires an analysis of the fair market value of Delta Apparel as a going-concern. As part of this analysis, Houlihan Lokey considered, among other things,

- (i) historical and projected financial performance for Delta Apparel as prepared by Delta Apparel;
- (ii) the business environment in which Delta Apparel competes;

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- (iii) performance of certain publicly traded companies deemed by Houlihan Lokey to be comparable to Delta Apparel, in terms of, among other things: size, profitability, financial leverage and growth;
- (iv) capitalization rates ("multiples") for certain publicly traded companies deemed by Houlihan Lokey to be comparable to Delta Apparel (including (a) Enterprise Value ("EV")/Revenue; (b) EV/EBITDA; and, (c) EV/EBIT);
- (v) multiples derived from acquisitions of companies deemed by Houlihan Lokey to be comparable to Delta Apparel;
- (vi) discounted cash flow approaches;

(vii) the capital structure and debt obligations of Delta Apparel; and

(viii) non-operating assets and identified contingent liabilities.

In determining the fair value and present fair saleable value of the aggregate assets of Delta Apparel, the following three methodologies were employed: comparable public company, comparable transaction and discounted cash flow.

**Market Multiple Approach.** This approach involved the multiplication of various earnings and cash flow measures by appropriate risk-adjusted multiples. Multiples were determined through an analysis of: (i) publicly traded companies that were determined by Houlihan Lokey to be comparable from an investment standpoint to Delta Apparel ("Comparable Public Companies"); and, (ii) change of control transactions involving companies that were determined by Houlihan Lokey to be comparable to Delta Apparel from an investment standpoint ("Comparable Transactions"). For Delta Apparel, Houlihan Lokey selected four publicly traded domestic companies that are engaged in the manufacturing and marketing of private label and branded apparel. A comparative risk analysis between Delta Apparel and the Comparable Public Companies formed the basis for the selection of appropriate risk adjusted multiples for Delta Apparel. The risk analysis incorporates both quantitative and qualitative risk factors which relate to, among other things, the nature of the industry in which Delta Apparel and the Comparable Public Companies are engaged. The value indications derived from capitalization of the relevant performance fundamentals for Delta Apparel were adjusted to reflect control value indications for Delta Apparel consistent with the required standard of value. For the Comparable Transactions, Houlihan Lokey analyzed apparel industry merger and acquisition transactions between 1998 and 1999 where financial information was publicly disclosed. Market multiples were developed from sixteen comparable transactions, of which seven were 1999 transactions. From the application of market multiples, indications of value were developed through the capitalization of the relevant performance fundamentals of Delta Apparel. The derived value indications reflect control values for Delta Apparel consistent with the fair values present and fair salable value standard.

**Discounted Cash Flow Approach.** The Discounted Cash Flow Approach involved an estimation of the present value of projected cash flows to be generated by Delta Apparel. The projected debt-free cash flows were developed from forecasts prepared by management of Delta Apparel. In addition to the respective cash flows for the projected period 2000 to 2004, a determination of terminal values as of June 30, 2004 was made based on the anticipated fair and salable values of Delta Apparel at that time. In this case, the estimation of terminal values involved using the market multiple approach already described above, where projected fundamentals were capitalized based on selected multiples. Indications of value were developed by applying an appropriate discount rate or cost of capital to the projected cash flows and terminal value. The discount rate reflects the degree of risk inherent in the assets of Delta Apparel and their ability to produce the projected cash flows.

#### Cash Flow Test

The Cash Flow Test focuses on whether or not Delta Apparel should be able to repay its debts as they become absolute and mature (including the debts

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incurred in the Transaction). This test involves a two-step analysis of Delta Apparel's financial projections, (i) examines the consistency of the projections with historical performance, current marketing strategies and operating cost structure; and (ii) tests the sensitivity of the projections to changes in key variables, including revenue growth, operating margins and capital expenditures. In testing cash flows, Houlihan Lokey performs sensitivity analyses to determine the "safety margin" available to deal with unexpected downturns in Delta Apparel's ability to generate operating cash flow.

#### Reasonable Capital Test

The Reasonable Capital Test follows from the Balance Sheet and Cash Flow Tests. A company may have assets that exceed liabilities, but if the amount is too small to provide some downside protection, the capital amount may not be deemed to be adequate and, in such a situation, the business would fail the Reasonable Capital Test. The determination as to whether the net assets remaining with Delta Apparel constitute unreasonably small capital involves an analysis of various factors, including, (i) the degree of sensitivity

demonstrated in the cash flow test; (ii) historical and expected volatility in revenues, cash flow and capital expenditures; (iii) the adequacy of working capital; (iv) historical and expected volatility of going-concern asset values; (v) the maturity structure and the ability to refinance Delta Apparel's obligations; (vi) the magnitude, timing and nature of identified contingent liabilities; and (vii) the nature of the business and the impact of financial leverage on its operations.

#### Solvency

Based upon the foregoing, and in reliance thereon, it is Houlihan Lokey's opinion as of March 15, 2000 that, assuming the Transaction has been consummated as proposed, immediately after and giving effect to the Transaction:

- (i) on a pro forma basis, the fair value and present fair saleable value of Delta Apparel's assets would exceed Delta Apparel's stated liabilities and identified contingent liabilities;
- (ii) Delta Apparel should be able to pay its debts as they become absolute and mature; and
- (iii) the capital remaining in Delta Apparel after the Transaction would not be unreasonably small for the business in which Delta Apparel is engaged, as management has indicated it is now conducted and is proposed to be conducted following the consummation of the Transaction.

#### Assumptions and Limiting Conditions

Notwithstanding the use of the defined terms "fair value" and "present fair saleable value", Houlihan Lokey has not been engaged to identify prospective purchasers or to ascertain the actual prices at which and terms on which Delta Apparel can currently be sold, and Houlihan Lokey knows of no such efforts by others. Because the sale of any business enterprise involves numerous assumptions and uncertainties, not all of which can be quantified or ascertained prior to engaging in an actual selling effort, Houlihan Lokey expresses no opinion as to whether Delta Apparel would actually be sold for the amount Houlihan Lokey believes to be its fair value and present fair saleable value.

Houlihan Lokey has relied upon and assumed, without independent verification, that the financial forecasts and projections provided to it have been reasonably prepared and reflect the best currently available estimates of the future financial results and condition of Delta Apparel, and that there has been no material adverse change in the assets, financial condition, business or prospects of Delta Apparel since the date of the most recent financial statements made available to Houlihan Lokey.

Houlihan Lokey has not independently verified the accuracy and completeness of the information supplied to it with respect to Delta Apparel, and does not assume any responsibility with respect to it. Houlihan Lokey has not made any physical inspection or independent appraisal of any of the properties or assets

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of Delta Apparel. Houlihan Lokey's opinion is necessarily based on business, economic, market and other conditions as they exist and can be evaluated by Houlihan Lokey at the date of its opinion.

Houlihan Lokey's opinion is furnished solely for the benefit of the Delta Woodside board and the Delta Apparel board and may not be relied upon by any other person without Houlihan Lokey's prior written consent. Houlihan Lokey's opinion is delivered to each recipient subject to the conditions, scope of engagement, limitations and understandings set forth in its opinion and Houlihan Lokey's engagement letter with Delta Woodside.

#### Advice of Prudential Securities

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Delta Woodside's board of directors received financial advice from Prudential Securities regarding the issues surrounding the separation of the apparel and textile fabric businesses. The points described above under the heading "The Delta Apparel Distribution - Reasons for the Delta Apparel Distribution" include the material factors discussed by Prudential Securities. Prudential Securities also advised the Delta Woodside board regarding the issues surrounding various alternatives to the Delta Apparel distribution and the Duck

Head distribution, including a sale of either or both of Delta Apparel or Duck Head and a liquidation of either or both of Delta Apparel or Duck Head. Prudential Securities' financial advice was based on its analysis of the trading prices and trading multiples of approximately 11 textile and apparel companies which Prudential Securities believed provided relevant comparisons. In addition, Prudential Securities reviewed recent acquisitions, also deemed to provide relevant comparisons, in the textile and apparel industries including the prices paid and multiples of financial performance that those acquisitions implied. Prudential Securities' advice regarding Delta Woodside's alternatives with regard to Delta Apparel was also based on its review and understanding of prevailing textile and apparel market conditions, as well as its review of Delta Apparel's historical market performance.

Prudential Securities was not requested to, and did not, undertake the types of analyses customary to deliver a financial opinion and did not deliver any such opinion.

Pursuant to an engagement letter, Prudential Securities has been paid by Delta Woodside an advisory fee of \$500,000 for its services. Delta Woodside has agreed to indemnify Prudential Securities for certain liabilities relating to or arising from Prudential Securities' engagement by Delta Woodside. Prudential Securities has also performed various investment banking services for Delta Woodside in the past, and has received customary fees for those services.

Prudential Securities is a nationally recognized investment banking firm and, as a customary part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, private placements, and valuations for corporate and other purposes. Delta Woodside selected Prudential Securities because of its expertise, reputation and familiarity with Delta Woodside. In the ordinary course of business, Prudential Securities and its affiliates may actively trade or hold the securities and other instruments and obligations of Delta Woodside for their own account and for the accounts of customers and, accordingly, may at any time hold long or short positions in such securities, instruments or obligations.

#### DESCRIPTION OF THE DELTA APPAREL DISTRIBUTION

The distribution agreement among Delta Woodside, Delta Apparel and Duck Head sets forth the general terms and conditions relating to, and the relationship of the three corporations after, the Delta Apparel distribution. For an extensive description of the distribution agreement, see the section of this document found under the heading "Relationship Among Delta Apparel, Delta Woodside and Duck Head--Distribution Agreement".

Delta Woodside plans to effect the Delta Apparel distribution on or about May 12, 2000 by distributing all of the issued and outstanding shares of Delta Apparel common stock to the record holders of Delta Woodside common stock on the record date for this transaction, which is April 28, 2000. Delta Woodside will distribute one share of Delta Apparel common stock to each of those holders for every ten shares of Delta Woodside common stock owned of record by that holder. The actual total number of shares of Delta Apparel common stock that Delta

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Woodside will distribute will depend on the number of shares of Delta Woodside common stock outstanding on the record date. Based upon the one-for-ten Delta Apparel distribution ratio, the number of shares of Delta Woodside common stock outstanding on March 3, 2000 and the number of Delta Woodside shares to be issued as described in "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Payments in Connection with Delta Apparel Distribution and Duck Head Distribution", Delta Woodside will distribute approximately 2,400,000 shares of Delta Apparel common stock to holders of Delta Woodside common stock, which will then constitute all of the outstanding shares of Delta Apparel common stock. Delta Apparel common shares will be fully paid and nonassessable, and the holders of those shares will not be entitled to preemptive rights. For a further description of Delta Apparel common stock and the rights of its holders, see the portion of this document located under the heading "Description of Delta Apparel Capital Stock".

For those holders of Delta Woodside common stock who hold their shares of Delta Woodside common stock through a stockbroker, bank or other nominee, Delta Woodside's distribution agent, First Union National Bank, will transfer the shares of Delta Apparel common stock to the registered holders of record who will make arrangements to credit their customers' accounts with Delta Apparel

common stock. Delta Woodside anticipates that stockbrokers and banks generally will credit their customers' accounts with Delta Apparel common stock on or about May 12, 2000.

If a holder of Delta Woodside common stock owns a number of shares of Delta Woodside common stock that is not a whole multiple of ten and therefore would be entitled to receive a fraction of a whole share of Delta Apparel common stock, that holder will receive cash instead of a fractional share of Delta Apparel common stock. The distribution agent will aggregate into whole shares the fractional shares to be cashed out and sell them as soon as practicable in the open market at then prevailing prices on behalf of those registered holders who would otherwise be entitled to receive less than whole shares. These registered holders will receive a cash payment in the amount of their pro rata share of the total proceeds of those sales, less any brokerage commissions. The distribution agent will pay the net proceeds from sales of fractional shares based upon the average selling price per share of Delta Apparel common stock of all of those sales, less any brokerage commissions. Delta Apparel expects the distribution agent to make sales on behalf of holders who would receive a fraction of a whole Delta Apparel common share in the Delta Apparel distribution as soon as practicable after the Delta Apparel distribution date. None of Delta Woodside, Delta Apparel or the distribution agent guarantees any minimum sale price for those fractional shares of Delta Apparel common stock, and no interest will be paid on the sale proceeds of those shares.

#### MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material US federal income tax consequences generally applicable to a Delta Woodside stockholder who is a US Holder. The term "US Holder" means a beneficial owner of Delta Woodside shares that is (i) a citizen or resident of the United States, (ii) a corporation, partnership (other than certain partnerships as may be provided in the applicable provisions of the US Treasury Regulations), or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to US federal income taxation regardless of its source, (iv) a trust if (a) a US court is able to exercise primary supervision over the trust's administration and (b) one or more US persons have the authority to control all of the trust's substantial decisions, or (v) otherwise subject to US federal income taxation on a net income basis in respect of the Delta Woodside shares.

The following description is for general purposes only and is based on the Internal Revenue Code of 1986, as amended from time to time (the "Code"), US Treasury Regulations and judicial and administrative interpretations thereof, all as in effect on the date of this document and all of which are subject to change, possibly retroactively. The tax treatment of a US Holder may vary depending upon the holder's particular situation. For instance, certain holders, including, but not limited to, insurance companies, tax-exempt

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organizations, financial institutions, persons subject to the alternative minimum tax, dealers in securities or currencies, persons that have a "functional currency" other than the US dollar or as part of a "hedging" or "conversion" transaction for US federal income tax purposes and persons owning, directly or indirectly, 5 percent or more of the Delta Woodside shares may be subject to special rules not discussed below. The following summary is limited to investors who hold the Delta Woodside shares as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code. The discussion below does not address the effect of any other laws (including other federal, state, local or foreign tax laws) on a US Holder of Delta Woodside shares. As such, the summary does not discuss US federal estate and gift tax considerations or US state and local tax considerations.

Delta Woodside has structured the Delta Apparel distribution and the Duck Head distribution to qualify as tax-free spin offs for federal income tax purposes under Section 355 of the Internal Revenue Code. Section 355 treats a spin-off as tax free if the conditions of that statute are satisfied.

Delta Woodside has not sought a ruling from the US Internal Revenue Service ("IRS") regarding the Delta Apparel distribution or the Duck Head distribution, in part because neither distribution satisfies all the conditions imposed by the IRS for such a ruling. The fact that Delta Woodside is not eligible to receive a private letter ruling from the IRS on the issue does not, however, in and of itself, mean that the distributions do not qualify as tax-free spin-offs under Section 355. Whether the Delta Apparel distribution and the Duck Head

distribution qualify under Section 355 as tax-free spin-offs will depend on whether the criteria in Section 355 and the relevant rules and regulations of the IRS are satisfied.

Delta Woodside has obtained an opinion from KPMG LLP that it is more likely than not that the each of the Delta Apparel distribution and the Duck Head distribution qualifies as tax-free under Code Section 355.

Material Federal Income Tax Consequences if the Delta Apparel Distribution  
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and the Duck Head Distribution Qualify as Tax-Free Spin-Offs under Code  
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Section 355  
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If the Delta Apparel distribution and the Duck Head distribution qualify as tax-free spin-offs under Code Section 355, then:

1. The US Holders of Delta Woodside stock who receive those shares will not recognize gain upon either of the distributions, except as described immediately below with respect to fractional shares.
2. Cash, if any, received by a US Holder of Delta Woodside stock instead of a fractional share of Delta Apparel common stock or Duck Head common stock will be treated as received in exchange for that fractional share. That US Holder will recognize gain or loss to the extent of the difference between his, her or its tax basis in that fractional share and the amount received for that fractional share, and, provided that fractional share is held as a capital asset, the gain or loss will be capital gain or loss.
3. Each US Holder of Delta Woodside stock will be required to apportion his, her or its tax basis in the US Holder's Delta Woodside shares between the Delta Woodside shares retained and the Delta Apparel shares and Duck Head shares received, with this apportionment to be made in proportion to the shares' relative fair market values for federal income tax purposes immediately after the distributions.
4. The holding period for the Delta Apparel shares and the Duck Head shares received by a US Holder in the distributions will be the same as the US Holder's holding period for the Delta Woodside shares with respect to which The Delta Apparel distribution and the Duck Head distributions are made.
5. No gain or loss will be recognized by Delta Woodside with respect to the Delta Apparel distribution or the Duck Head distribution, except to the extent of any excess loss accounts or deferred intercompany gains.

Delta Woodside anticipates that in connection with the distributions Delta Woodside will recognize gain as a result of deferred intercompany gains, but that this gain will be offset by Delta Woodside's net operating losses.

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US Treasury Regulations Section 1.355-5 requires that each US Holder that receives Delta Apparel shares in the Delta Apparel distribution and Duck Head shares in the Duck Head distribution attach a statement to his, her or its US federal income tax return for the taxable year in which the distributions occur, showing the applicability of Code Section 355 to the Delta Apparel distribution and the Duck Head distribution. US Holders should consult their own tax advisors regarding these disclosure requirements.

As noted above, Delta Woodside has not sought a ruling from the IRS regarding the Delta Apparel distribution or the Duck Head distribution. The fact that no ruling has been sought should not be construed as an indication that the IRS would necessarily reach a different conclusion regarding the Delta Apparel distribution or the Duck Head distribution than the conclusion set out in the opinion of KPMG LLP. The opinion of KPMG LLP referred to in this description is not binding upon the IRS, any other tax authority or any court, and no assurance can be given that a position contrary to those expressed in the opinion of KPMG LLP will be not asserted by the tax authority and ultimately sustained by a court of law.

Material Federal Income Tax Consequences if the Delta Apparel Distribution  
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and the Duck Head Distribution Do Not Qualify as Tax-Free Spin-Offs under  
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If the Delta Apparel distribution and the Duck Head distribution do not qualify as tax-free spin-offs under Section 355, then the following are the material federal income tax consequences to each participating Delta Woodside stockholder and to Delta Woodside:

1. Each Delta Woodside stockholder will recognize dividend income to the extent of the lesser of (a) the value of the Delta Apparel shares and the Duck Head shares received (together with any cash received for any fractional share) or (b) the stockholder's pro rata share of the accumulated earnings and profits of Delta Woodside for federal income tax purposes through the end of fiscal year 2000. This dividend income will not reduce any Delta Woodside stockholder's basis in his, her or its Delta Woodside shares.
  - a. The fair market value for federal income tax purposes of the Delta Apparel shares and the Duck Head shares received by the Delta Woodside stockholders in the distributions will depend on the trading prices of the Delta Apparel shares and the Duck Head shares around the time of the distribution. Delta Woodside is not able at this time to predict what those values will be.
  - b. Delta Woodside's accumulated earnings and profits through fiscal year 1999 were approximately \$15.4 million (approximately \$0.64 per Delta Woodside share). The amount, if any, of Delta Woodside's earnings and profits for fiscal year 2000 cannot be determined at this time.
2. Any value of the Delta Apparel shares and Duck Head shares (together with any cash received for any fractional share) that exceeds the Delta Woodside stockholder's pro rata share of Delta Woodside's accumulated earnings and profits through fiscal year 2000 will constitute a return of capital to that stockholder (i.e. the stockholder will not be taxed on that value) up to the stockholder's basis in his, her or its Delta Woodside shares, and the stockholder's basis in his, her or its Delta Woodside shares will be reduced accordingly. Any remaining value of the Delta Apparel shares and Duck Head shares (together with any cash received for any fractional share) in excess of the Delta Woodside stockholder's basis in his, her or its Delta Woodside shares will be taxable to the Delta Woodside stockholder as gain, which will be capital gain if the Delta Woodside stock is held as a capital asset. This capital gain will be taxable as either long term or short term capital gain, depending upon the stockholder's holding period for those Delta Woodside shares.
3. The Delta Woodside stockholder's tax basis in the Delta Apparel shares and the Duck Head shares received in the distributions will be equal to the fair market value for federal income tax purposes of those shares at the time of the distributions. The stockholder's holding period for those shares will begin on the date of the distributions.
4. The Delta Apparel distribution and the Duck Head distribution will also be taxable as a gain to Delta Woodside, to the extent of the excess of the value for federal income tax purposes of the Delta Apparel shares and the Duck Head shares distributed over their tax bases to Delta Woodside. Delta Woodside believes that any federal income tax liability to it resulting from the Delta Apparel distribution and the Duck Head distribution will not be material, because any applicable recognized income will be offset by Delta Woodside's net operating losses. Any gain recognized by Delta Woodside on the Delta Apparel distribution or the Duck Head distribution will increase the fiscal year 2000 earnings and profits. Delta Woodside cannot at this time calculate the amount of this gain because it is unable to forecast what the initial trading prices will be for the Delta Apparel shares or the Duck Head shares, which will be the federal income tax values of the Delta Apparel shares and the Duck Head shares for purposes of this calculation.

THE FOREGOING IS A GENERAL DISCUSSION AND IS NOT INTENDED TO SERVE AS SPECIFIC ADVICE FOR ANY PARTICULAR DELTA WOODSIDE STOCKHOLDER, SINCE THE TAX CONSEQUENCES OF THE DELTA APPAREL DISTRIBUTION AND THE DUCK HEAD DISTRIBUTION TO EACH STOCKHOLDER WILL DEPEND UPON THAT STOCKHOLDER'S OWN PARTICULAR CIRCUMSTANCES. EACH STOCKHOLDER SHOULD CONSULT HIS, HER OR ITS OWN ADVISORS AS TO THE FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES TO THAT STOCKHOLDER OF



## THE DELTA APPAREL DISTRIBUTION AND THE DUCK HEAD DISTRIBUTION.

KPMG LLP is an internationally recognized accounting, tax and consulting firm and, as a customary part of its tax practice, is regularly engaged to provide opinions on the federal income tax consequences of merger and acquisition transactions. Delta Woodside selected KPMG LLP because of its expertise and its familiarity with Delta Woodside, Delta Apparel and Duck Head. In the past, KPMG LLP has acted as the independent auditor of Delta Woodside's financial statements and as its tax advisor. KPMG LLP has also provided various consulting services to Delta Woodside. KPMG LLP has received customary fees for those services.

Pursuant to an engagement letter, Delta Woodside has agreed to pay KPMG LLP a fee of \$250,000 in connection with the preparation and delivery of its opinion on the federal income tax consequences of the Delta Apparel and Duck Head distributions. Delta Woodside has agreed to indemnify KPMG LLP for certain liabilities related to, arising out of or in connection with KPMG LLP's engagement by Delta Woodside.

### Net Operating Loss Carry Forwards

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As of July 3, 1999, Delta Woodside had net operating loss carry forwards, for federal income tax purposes, of approximately \$68 million. Following the Delta Apparel distribution and the Duck Head distribution, and assuming the distributions are tax-free pursuant to Code Section 355, approximately \$56 million of this net operating loss carry forward will remain as a tax attribute of Delta Woodside, as of July 3, 1999 (\$10 million of which will be subject to limitation under the, approximately \$9 million will be a tax attribute of Delta Apparel, as of July 3, 1999 and approximately \$3 million will be a tax attribute of Duck Head, as of July 3, 1999. Delta Apparel's and Duck Head's Federal net operating losses will expire at various dates in fiscal years 2011 through 2019.

Prior to the Delta Apparel distribution and the Duck Head distribution, the Delta Apparel Company division and the Duck Head Apparel Company division were part of the Delta Woodside consolidated group, and the net operating losses of any member of the Delta Woodside consolidated group were generally available to reduce the consolidated federal taxable income of the group. For financial reporting purposes, prior to the Delta Apparel distribution and the Duck Head distribution each of Delta Apparel and Duck Head carries "deferred tax assets" on its balance sheet to reflect, among other matters, the financial impact of their respective hypothetical separate company net operating loss carry forwards. For federal income tax purposes, however, tax attributes, such as net operating loss carry forwards, remain with the corporate entity, not the division, that generated them. Therefore, with the Delta Apparel distribution and the Duck Head distribution, tax attributes, including the Delta Woodside consolidated federal net operating loss carry forward, will be allocated among Delta Woodside, Delta Apparel and Duck Head in accordance with the Federal consolidated return regulations.

The pro forma balance sheet of Delta Apparel that is included under the heading "Unaudited Pro Forma Combined Financial Statements" reflects Delta Apparel's expected allocable portion of the pre-distribution Delta Woodside consolidated federal net operating loss carry forward.

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## ACCOUNTING TREATMENT

The Delta Apparel distribution and the Duck Head distribution will be accounted for in accordance with United States generally accepted accounting principles. Accordingly, the Delta Apparel distribution will be accounted for by Delta Woodside based on the recorded amounts of the net assets being spun-off. Delta Woodside will charge directly to equity as a dividend the historical cost carrying amount of the net assets of Delta Apparel.

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## TRADING MARKET

As of the Delta Apparel record date, all of the outstanding shares of Delta Apparel were owned by an indirect wholly-owned subsidiary of Delta Woodside. As

of that date, there were approximately 2,500 record holders of the common stock of Delta Woodside. As a result of the Delta Apparel distribution ratio of one Delta Apparel share for ten Delta Woodside shares, Delta Apparel anticipates that, upon the Delta Apparel distribution, there will be approximately 1,500 record holders of Delta Apparel shares.

Before the Delta Apparel distribution, there has been no trading market for Delta Apparel common stock, and there can be no assurances that an active trading market for the Delta Apparel shares will develop or be sustained in the future. Before the Delta Apparel distribution, Delta Apparel will apply to The American Stock Exchange to approve shares of Delta Apparel's common stock for listing, subject to official notice of issuance. If this application is not approved, Delta Apparel expects that the Delta Apparel shares will trade in the over-the-counter market. Delta Apparel also anticipates that a "when-issued" trading market will develop in its common stock before the Delta Apparel distribution date.

Delta Apparel cannot predict the prices at which its common stock may trade, either before the Delta Apparel distribution on a "when-issued" basis or after the Delta Apparel distribution. Until an orderly market develops, if at all, the trading prices of that stock may fluctuate significantly. In addition, the trading prices of the Delta Woodside shares have fluctuated significantly and Delta Apparel believes that the trading prices of its shares are likely to be subject to similar significant fluctuations. The marketplace will determine the trading prices of Delta Apparel common stock. Many factors may influence those prices. These factors may include, among others, the depth and liquidity of the market for the Delta Apparel shares, analyst coverage of and interest in the Delta Apparel shares, quarter-to-quarter variations in Delta Apparel's actual or anticipated financial results, investor perceptions of the apparel industry and general conditions in the U.S. equity markets. For a description of some of the factors that may impact the prices at which the Delta Apparel shares may trade, see the section of this document found under the heading "Risk Factors".

The Delta Apparel shares received in the Delta Apparel distribution will be freely transferable, except for those shares received by any person who may be deemed to be a Delta Apparel "affiliate" within the meaning of Rule 144 under the Securities Act of 1933. Persons who may be deemed to be Delta Apparel affiliates after the Delta Apparel distribution generally will be individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with Delta Apparel. Generally, Delta Apparel affiliates may sell their Delta Apparel shares received in the Delta Apparel distribution only under an effective registration statement under the Securities Act of 1933 or pursuant to Rule 144, which contains volume and manner of sale limitations on such sales.

At the time of the Delta Apparel distribution, the only outstanding equity securities of Delta Apparel will be the approximately 2,400,000 shares being distributed. Delta Apparel anticipates that, during the first six months after the Delta Apparel distribution, it will grant stock options under its stock option plan and incentive stock awards under its incentive stock award plan to its executive officers. Delta Apparel may grant additional stock options and incentive stock awards during that period to other employees of Delta Apparel and may grant additional stock options and incentive stock awards in the future to its executive officers and other employees. Delta Apparel shares issued upon exercise of stock options granted under the stock option plan or awards granted under the incentive stock award plan will be registered on a Registration Statement on Form S-8 under the Securities Act of 1933 and will therefore generally be freely transferable under the securities laws, except by affiliates as described above. See "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Receipt of Delta Apparel Stock Options and Delta Apparel Incentive Stock Awards".

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Except as described above and except for the rights agreement which is discussed below under the heading "Description of Delta Apparel Capital Stock-Rights Plan", Delta Apparel will not have any other securities outstanding as of or immediately after the Delta Apparel distribution, and Delta Apparel has not entered into any agreement or otherwise committed to register any Delta Apparel shares under the Securities Act of 1933 for sale by security holders.

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This section describes the primary agreements among Delta Apparel, Delta Woodside and Duck Head that will define the ongoing relationships among them and their respective subsidiaries after the Delta Apparel distribution and is expected to provide for the orderly separation of the three companies. The following description of the distribution agreement and the tax sharing agreement summarizes the material terms of those agreements. Delta Apparel has filed those agreements as exhibits to its Registration Statement on Form 10 filed with the Securities and Exchange Commission. This document is a part of that registration statement.

#### DISTRIBUTION AGREEMENT

Delta Apparel has entered into a distribution agreement with Delta Woodside and Duck Head as of March 15, 2000. The distribution agreement provides for the procedures for effecting the Delta Apparel distribution and the Duck Head distribution. For this purpose, as summarized below, the distribution agreement provides for the principal corporate transactions and procedures for separating the Delta Apparel Company division's business and the Duck Head Apparel Company division's business from each other and the rest of Delta Woodside. Also, as summarized below, the distribution agreement defines the relationships among Delta Apparel, Delta Woodside and Duck Head after the Delta Apparel distribution with respect to, among other things, indemnification arrangements and employee benefit arrangements.

##### Intercompany reorganization

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The distribution agreement provides, that, no later than the time the Delta Apparel distribution occurs, Delta Woodside, Delta Apparel and Duck Head will have caused the following to have been effected:

- (a) Delta Woodside will have contributed, as contributions to capital, all net debt amounts owed to it by the corporations that currently conduct the Delta Apparel Company division's business and the Duck Head Apparel Company division's business. The Delta Apparel Company division's assets are currently owned by several of Delta Woodside's wholly-owned subsidiaries. The Duck Head Apparel Company division's assets are currently owned by Delta Woodside and several of its wholly-owned subsidiaries.
  - (b) All the assets used in the operations of the Delta Apparel Company division's business will have been transferred to Delta Apparel or a subsidiary of Delta Apparel to the extent not already owned by Delta Apparel or its subsidiaries. This transfer will include the sale by Delta Mills to Delta Apparel of the Rainsford plant, located in Edgefield, SC, which is described below under the subheading "Other Relationships".
  - (c) Delta Apparel will have assumed all of the liabilities of the Delta Apparel Company division of Delta Woodside, and will have caused all holders of indebtedness for borrowed money that are part of the assumed Delta Apparel liabilities and all lessors of leases that are part of the assumed Delta Apparel liabilities to agree to look only to Delta Apparel or a subsidiary of Delta Apparel for payment of that indebtedness or lease (except where Delta Woodside or Duck Head, as applicable, consents to not being released from the obligations).
  - (d) All the assets used in the operations of the Duck Head Apparel Company division's business will have been transferred to Duck Head or a subsidiary of Duck Head to the extent not already owned by Duck Head or its subsidiaries.
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- (e) Duck Head will have assumed all of the liabilities of the Duck Head Apparel Company division of Delta Woodside, and will have caused all holders of indebtedness for borrowed money that are part of the assumed Duck Head liabilities and all lessors of leases that are part of the assumed Duck Head liabilities to agree to look only to Duck Head or a subsidiary of Duck Head for payment of that indebtedness or lease (except where Delta Woodside or Delta Apparel, as applicable, consents to not being released from the obligations).

- (f) Delta Woodside will have caused all holders of indebtedness for borrowed money and all lessors of leases that are not part of the liabilities assumed by Delta Apparel or the liabilities assumed by Duck Head to agree to look only to Delta Woodside or a remaining subsidiary of Delta Woodside for payment of that indebtedness or lease (except where Delta Apparel or Duck Head, as applicable, consents to not being released from the obligations).

#### Indemnification

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Each of Delta Woodside, Delta Apparel and Duck Head has agreed to indemnify each other and their respective directors, officers, employees and agents against any and all liabilities and expenses incurred or suffered that arise out of or pertain to:

- (a) any breach of the representations and warranties made by it in the distribution agreement;
- (b) any breach by it of any obligation under the distribution agreement;
- (c) the liabilities assumed or retained by it under the distribution agreement; or
- (d) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact contained in any of its disclosure documents filed by it with the SEC, except insofar as the misstatement or omission was based upon information furnished to the indemnifying party by the indemnified party.

#### Employee Matters

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Delta Woodside will cause the employees of the Delta Apparel Company division to become employees of Delta Apparel, Delta Apparel will assume the accrued employee benefits of these employees and Delta Woodside will cause the account balance of each of these employees in any and all of Delta Woodside's employee benefit plans (other than the Delta Woodside stock option plan) to be transferred to a comparable employee benefit plan of Delta Apparel.

#### Intercompany Accounts

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Amounts owed by Delta Apparel to Delta Mills for yarn previously sold by Delta Mills to Delta Apparel will be paid in the ordinary course of business. As of January 1, 2000, these amounts aggregated approximately \$3.1 million.

Other than any amounts owed under the tax sharing agreement and except as provided in the distribution agreement, generally all other intercompany receivable, payable and loan balances existing as of the time of the Delta Apparel distribution between Delta Apparel, on the one hand, and Duck Head or Delta Woodside, on the other hand, will be deemed to have been paid in full by the party or parties owing the relevant obligation.

#### Transaction Expenses

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Generally, all costs and expenses incurred in connection with the Delta Apparel distribution, the Duck Head distribution and related transactions shall be paid by Delta Woodside, Duck Head and Delta Apparel proportionately in accordance with the respective benefits received by Delta Woodside, Duck Head and Delta Apparel as determined in good faith by the parties; provided that the holders of the Delta Woodside shares shall pay their own expenses, if any, incurred in connection with the Delta Apparel distribution and the Duck Head distribution.

#### TAX SHARING AGREEMENT

Delta Apparel will enter into a tax sharing agreement with Delta Woodside and Duck Head that will describe, among other things, each company's rights and obligations relating to tax payments and refunds for periods before and after the Delta Apparel distribution and related matters like the filing of tax returns and the handling of audits and other tax proceedings. The tax sharing

agreement also describes the indemnification arrangements with respect to tax matters among Delta Apparel and its subsidiaries (which this document refers to as the Delta Apparel tax group), Delta Woodside and its subsidiaries after the Delta Apparel distribution and the Duck Head distribution (which this document refers to as the Delta Woodside tax group) and Duck Head and its subsidiaries (which this document refers to as the Duck Head tax group).

Under the tax sharing agreement, the allocation of tax liabilities and benefits is generally as follows:

- With respect to federal income taxes:
  - (a) For each taxable year that ends prior to the Delta Apparel distribution, Delta Woodside shall be responsible for paying any increase in federal income taxes, and shall be entitled to receive the benefit of any refund of or saving in federal income taxes, that results from any tax proceeding with respect to any returns relating to federal income taxes of the Delta Woodside consolidated federal income tax group.
  - (b) For the taxable period ending on the date of the Delta Apparel distribution, Delta Woodside shall be responsible for paying any federal income taxes, and shall be entitled to any refund of or saving in federal income taxes, with respect to the Delta Woodside consolidated federal income tax group.
- With respect to state income, franchise or similar taxes, for each taxable period that ends prior to or on the date of the Delta Apparel distribution, each corporation that is a member of the Delta Woodside tax group, the Duck Head tax group or the Delta Apparel tax group shall be responsible for paying any of those state taxes, and any increase in those state taxes, and shall be entitled to receive the benefit of any refund of or saving in those state taxes, with respect to that corporation (or any predecessor by merger to that corporation) or that results from any tax proceeding with respect to any returns relating to those state taxes of that corporation (or any predecessor by merger of that corporation).
- With respect to federal employment taxes
  - (a) Delta Woodside shall be responsible for the federal employment taxes payable with respect to the compensation paid, whether before, on or after the date of the Delta Apparel distribution, by any member of the Delta Woodside federal income tax consolidated group for any period ending prior to or on the date of the Delta Apparel distribution or by any member of the Delta Woodside tax group for any period after that date to all individuals who are past or present employees of any business of Delta Woodside other than the business of Delta Apparel or the business of Duck Head.
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  - (b) Duck Head shall be responsible for the federal employment taxes payable with respect to the compensation paid, whether before, on or after the date of the Duck Head distribution, by any member of the Delta Woodside federal income tax consolidated group for any period ending prior to or on the date of the Duck Head distribution or by any member of the Duck Head tax group for any period after that date to all individuals who are past or present employees of the business of Duck Head.
  - (c) Delta Apparel shall be responsible for the federal employment taxes payable with respect to the compensation paid, whether before, on or after the date of the Delta Apparel distribution, by any member of the Delta Woodside federal income tax consolidated group for any period ending prior to or on the date of the Delta Apparel distribution or by any member of the Delta Apparel tax group for any period after that date to all individuals who are past or present employees of the business of Delta Apparel.
- With respect to any taxes, other than federal employment taxes, federal income taxes and state income, franchise or similar taxes:

- (a) Delta Woodside shall be responsible for any of these taxes, regardless of the time period or circumstance with respect to which the taxes are payable, arising from or attributable to any business of Delta Woodside other than the business of Delta Apparel or the business of Duck Head;
- (b) Duck Head shall be responsible for any of these taxes, regardless of the time period or circumstance with respect to which the taxes are payable, arising from or attributable to the business of Duck Head; and
- (c) Delta Apparel shall be responsible for any of these taxes, regardless of the time period or circumstance with respect to which the taxes are payable, arising from or attributable to the business of Delta Apparel.

- The Delta Woodside tax group shall be responsible for all taxes, and shall receive the benefit of all tax items, of any member of the Delta Woodside tax group that relate to any taxable period after the Delta Apparel distribution. The Duck Head tax group shall be responsible for all taxes, and shall receive the benefit of all tax items, of any member of the Duck Head tax group that relate to any taxable period after the Duck Head distribution. The Delta Apparel tax group shall be responsible for all taxes, and shall receive the benefit of all tax items, of any member of the Delta Apparel tax group that relate to any taxable period after the Delta Apparel distribution.

Under the tax sharing agreement, the Delta Apparel tax group and the Duck Head tax group have irrevocably designated Delta Woodside as their agent for purposes of taking a broad range of actions in connection with taxes for pre-distribution periods. Those actions include the settlement of tax audits and other tax proceedings. In addition, the tax sharing agreement provides that all disagreements and disputes relating to the agreement are to be resolved by Delta Woodside. These arrangements may result in conflicts of interest among Delta Apparel, Delta Woodside and Duck Head concerning such matters as whether a tax relates to the business of Delta Woodside, Delta Apparel or Duck Head. Delta Woodside might determine that a tax was a liability of Delta Apparel even though Delta Apparel disagreed with that determination.

Under the tax sharing agreement, the Delta Apparel tax group, the Delta Woodside tax group and the Duck Head tax group have agreed to indemnify one another against various tax liabilities, generally in accordance with the allocation of tax liabilities and benefits described above.

OTHER RELATIONSHIPS

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Boards of Directors of Delta Apparel, Delta Woodside and Duck Head  
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The following directors of Delta Apparel are also directors of Delta Woodside and Duck Head: William F. Garrett, C. C. Guy, Dr. James F. Kane, Dr. Max Lennon, E. Erwin Maddrey, II, Buck A. Mickel and Bettis C. Rainsford. In the event that any material issue were to arise between Delta Apparel, on the one hand, and either Delta Woodside or Duck Head, on the other hand, these directors could be deemed to have a conflict of interest with respect to that issue. In that circumstance, Delta Apparel anticipates that it will proceed in a manner that is determined by a majority of those members of Delta Apparel's board of directors who are not also members of the board of directors of Delta Woodside or the board of directors of Duck Head (as applicable).

Principal Stockholders  
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The Delta Apparel shares will be distributed in the Delta Apparel distribution, and the Duck Head shares will be distributed in the Duck Head distribution, to the Delta Woodside stockholders proportionately among the Delta Woodside shares. Therefore, immediately following the Delta Apparel distribution, Delta Woodside's principal stockholders will be the same individuals and entities as Delta Apparel's and Duck Head's principal stockholders, and those principal stockholders will have the same respective percentages of outstanding beneficial ownership in each of Delta Woodside, Delta Apparel and Duck Head (assuming no acquisitions or dispositions of shares by

those stockholders between the record date for the Delta Apparel distribution or the Duck Head distribution and the completion of either distribution). See "Security Ownership of Significant Beneficial Owners and Management".

Sales to and Purchases from Delta Woodside or Duck Head of Goods or  
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 Manufacturing Services  
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In the ordinary course of Delta Apparel's business, Delta Apparel has produced T-shirts for Duck Head, purchased T-shirts from Duck Head and purchased yarn and fabrics from Delta Mills. The following table shows these transactions for the last three fiscal years and for the first six months of fiscal year 2000:

(in thousands of dollars)

	Fiscal year			First six months
	-----	-----	-----	-----
	1997	1998	1999	of -- Fiscal year 2000
	----	----	----	-----
Sold to Duck Head	403	156	481	6
Purchased from Duck Head	653	132	0	0
Purchased from Delta Mills (1)	26,456	17,683	0	0

(1) For purposes of this table, yarn produced by the Rainsford plant and used by Delta Apparel, prior to the transfer from Delta Mills to Delta Apparel in April 1998 of operational control of the Rainsford plant, is treated as sold by Delta Mills to Delta Apparel.

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Prior to the end of March 1997, all yarn sales between Delta Mills and Delta Apparel were at a price equal to cost plus \$0.01 per pound. Since March 1997, all of these yarn sales have been made at prices deemed by Delta Apparel to approximate market value. In connection with these pricing policies on yarn sales, through March 1997 Delta Apparel maintained with Delta Mills a non-interest bearing deposit which aggregated \$11.2 million at June 29, 1996. Effective May 7, 1997, Delta Woodside adopted a written policy statement governing the pricing of intercompany transactions. Among other things, this policy statement provides that all intercompany sales and purchases will be settled at market value and terms.

All of the T-shirt and fabric sales were made at prices deemed by Delta Apparel to approximate market value.

Delta Apparel anticipates that any future sales or purchases to or from Duck Head or Delta Woodside in the future will not be material.

Purchase of Rainsford Plant  
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The Rainsford plant in Edgefield, South Carolina, manufactures yarn for use in knitting operations. In April 1998, control of the operations and management of the Rainsford plant was transferred from Delta Mills to Delta Apparel, which converted the assets to produce yarn products for use in Delta Apparel's products.

A condition to consummation of the Delta Apparel distribution is the sale by Delta Mills to Delta Apparel of the Rainsford plant and related inventory. Delta Mills and Delta Apparel have agreed that the purchase price for these assets will be the assets' book value. This purchase price will be paid in cash and by the assumption of certain liabilities. Delta Apparel estimates that the purchase price for the real property, furniture, fixtures and equipment will be approximately \$12.2 million and the purchase price for the inventory will be approximately \$2.5 million. Delta Apparel will pay the cash portion of the purchase price with borrowings under its credit facility.

The terms of the 9 5/8% Senior Notes of Delta Mills require that Delta Mills provide to the holders of those Senior Notes an opinion of an investment

banking firm as to the fairness from a financial point of view to those holders of the terms of this sale. Delta Mills has engaged The Robinson-Humphrey Company, LLC to provide this opinion.

THE OPINION TO BE PROVIDED BY ROBINSON-HUMPHREY RESPECTING THE SALE OF THE RAINSFORD PLANT ADDRESSES THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE SALE TO THE HOLDERS OF THE SENIOR NOTES OF DELTA MILLS. THE OPINION DOES NOT ADDRESS THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE SALE TO DELTA APPAREL OR DELTA APPAREL'S CREDITORS OR STOCKHOLDERS.

The following summarizes Robinson-Humphreys' analyses and the opinion that Robinson-Humphreys anticipates providing to the indenture trustee for the Senior Notes of Delta Mills with respect to the Rainsford plant sale.

#### Material and Information Considered by Robinson-Humphrey

In arriving at its opinion, Robinson-Humphrey:

- Reviewed the sale agreement respecting the Rainsford plant sale;
  - Reviewed certain internal financial statements and other financial and operating data concerning the Rainsford plant;
  - Conducted discussions with members of Delta Mills' and the Rainsford plant's managements concerning the Rainsford plant's business, operations, present condition and prospects;
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- Compared the results of operations and present financial condition of the Rainsford plant with those of certain publicly traded companies that Robinson-Humphrey deemed to be reasonably similar to the Rainsford plant;
  - Reviewed the financial terms, to the extent publicly available, of certain comparable merger and acquisition transactions that Robinson-Humphrey deemed relevant;
  - Performed certain financial analyses with respect to the Rainsford plant's projected future operating performance; and
  - Reviewed such other financial statistics and analyses and performed such other investigations and took into account such other matters as Robinson-Humphrey deemed appropriate.

Robinson-Humphrey has relied upon the accuracy and completeness of the financial and other information provided to it by Delta Mills in arriving at its opinion without independent verification. With respect to the financial forecasts of the Rainsford plant for the years 2000 through 2004, Robinson-Humphrey has assumed that the assumptions provided by management have been reasonably prepared and reflect the best currently available estimates and judgment of Delta Mills' management. In arriving at its opinion, Robinson-Humphrey conducted only a limited physical inspection of the properties and facilities of the Rainsford plant, and did not make appraisals of the Rainsford plant or any of its assets. Robinson-Humphrey's opinion is necessarily based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of its letter.

In connection with the preparation of its fairness opinion, Robinson-Humphrey performed certain financial and comparative analyses, the material portions of which are summarized below. The following is a summary of the material factors considered and principal financial analyses performed by Robinson-Humphrey to arrive at its opinion, but does not purport to be a complete description of the factors considered or the analyses performed by Robinson-Humphrey in arriving at its opinion. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances, and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. In addition, Robinson-Humphrey believes that its analyses must be considered as an integrated whole, and that selecting portions of the analyses and the factors considered by it, without considering all of the analyses and factors, could create a misleading or an incomplete view of the process underlying its analyses set forth in its opinion. In performing its analyses, Robinson-Humphrey made numerous assumptions with respect to industry and economic conditions and other matters, many of which are beyond the control of Delta Mills or management of



the Rainsford plant. Any estimates contained in such analyses are not necessarily indicative of actual past or future results or values, which may be significantly more or less favorable than as set forth in the opinion. Estimates of values or companies do not purport to be appraisals or necessarily to reflect the price at which those companies may actually be sold, and such estimates are inherently subject to uncertainty. No public company utilized as a comparison is identical to the Rainsford plant, and no merger and acquisition transaction involved assets identical to the sale of the Rainsford plant. An analysis of the results of such comparisons is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and transactions and other factors that could affect the values of companies and transactions to which the sale of the Rainsford plant is being compared.

#### Analysis of Selected Comparable Public Companies

Robinson-Humphrey reviewed and compared selected publicly available financial data, market information and trading multiples for diversified textile companies that Robinson-Humphrey deemed comparable to Delta Mills. Robinson-Humphrey also reviewed and compared selected publicly available financial data, market information and trading multiples for diversified textile companies with revenues and firm values less than \$1.0 billion that Robinson-Humphrey deemed comparable to Delta Mills.

For the comparable companies in each category, Robinson-Humphrey compared, among other things, firm value as a multiple of latest twelve months ("LTM") revenues, firm value as a multiple of LTM earnings before interest, taxes, depreciation and amortization ("EBITDA"), firm value as a multiple of LTM earnings before interest and taxes ("EBIT"), equity value per share ("Price") as a multiple of LTM earnings per share ("EPS") and equity value as a multiple of book value for the comparable companies. All multiples were based on closing stock prices as of December 7, 1999. Revenues, EBITDA, EBIT, EPS and book value for the comparable companies were based on historical financial information available in public filings of the comparable companies.

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#### Analysis of Selected Merger & Acquisition Transactions

Robinson-Humphrey reviewed the financial terms, to the extent publicly available, of 54 proposed, pending or completed merger and acquisition transactions in the textile industry since 1991 involving companies that Robinson-Humphrey deemed to be comparable based on operating characteristics of the Rainsford plant. Robinson-Humphrey also reviewed the financial terms, to the extent publicly available, of completed merger and acquisition transactions in the textile industry occurring between 1980 and 1990 involving companies that Robinson-Humphrey deemed to be comparable based on operating characteristics of the Rainsford plant. Robinson-Humphrey calculated various financial multiples based on certain publicly available information for each of the compared transactions and compared them to corresponding financial multiples for the purchase price in the proposed sale of the Rainsford plant.

With respect to each category of compared transactions, Robinson-Humphrey compared, among other things, firm value as a multiple of LTM revenues, firm value as a multiple of LTM EBIT, firm value as a multiple of LTM EBITDA, equity value as a multiple of LTM net income and book value for the comparable merger and acquisition transactions.

#### Discounted Cash Flow Analysis

Robinson-Humphrey performed a discounted cash flow analysis using financial projections for 2000 through 2004 to estimate the net present equity value for the Rainsford plant. Robinson-Humphrey derived ranges of net present equity value for the Rainsford plant on a stand-alone basis which were based upon the discounted cash flows of the Rainsford plant from 2000 to 2004 plus a terminal value calculated using a range of multiples of the Rainsford plant's projected year 2004 EBITDA. Robinson-Humphrey applied discount rates ranging from 14% to 18% and multiples of 2004 EBITDA ranging from 3.0x to 5.0x.

#### Equipment Appraisal Value

Robinson-Humphrey examined a third party appraisal of the Rainsford plant that was provided to Delta Mills in July 1999. The appraisal had been obtained to arrive at a conclusion of orderly liquidation value and forced liquidation value for the Rainsford plant's assets effective the date of inspection.

## Fairness Opinion to Holders of Delta Mills' Senior Notes

Based on these analyses, Robinson-Humphrey anticipates delivering a written opinion that, as of the date of its opinion, the proposed sale of the Rainsford plant is fair, from a financial point of view, to the holders of Delta Mills' 9 5/8% Senior Notes due 2007.

Robinson-Humphrey based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions and industry-specific factors. The preparation of fairness opinions does not involve mathematical weighing of the results of the individual analyses performed, but requires Robinson-Humphrey to exercise its professional judgement, based on its experience and expertise, in considering a wide variety of analyses taken as a whole. Each of the analyses conducted by Robinson-Humphrey was carried out in order to provide a different perspective on the transaction and to add to the total mix of information available. Robinson-Humphrey did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to fairness. Rather, in reaching its conclusion, Robinson-Humphrey considered the results of the analyses in light of each other and ultimately reached its conclusion based on the results of all analyses taken as a whole.

### Information Concerning Robinson-Humphrey

Robinson-Humphrey is a nationally recognized investment banking firm and, as a customary part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, private placements, and valuations

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for corporate and other purposes. Delta Mills selected Robinson-Humphrey because of its expertise, reputation in the textile industry and familiarity with Delta Mills and the Rainsford plant, and because of Delta Woodside's experience with Robinson-Humphrey's assistance in the proposed sale by Delta Woodside of the Duck Head Apparel Company division during part of 1998 and 1999. In the ordinary course of business, Robinson-Humphrey and its affiliates may actively trade or hold the securities and other instruments and obligations of Delta Woodside for their own account and for the accounts of customers and, accordingly, may at any time hold long or short positions in such securities, instruments or obligations.

Pursuant to an engagement letter, Delta Mills agreed to pay Robinson-Humphrey a fee of \$100,000 in connection with the preparation and delivery of its fairness opinion. Delta Mills has agreed to indemnify Robinson-Humphrey for certain liabilities related to, arising out of or in connection with Robinson-Humphrey's engagement by Delta Mills. Robinson-Humphrey has also performed various investment banking services for Delta Woodside in the past, and has received customary fees for those services.

### Management Services

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Delta Woodside has provided various services to the operating divisions of its subsidiaries, including the Delta Mills Marketing Company, Duck Head Apparel Company and Delta Apparel Company divisions. These services include financial planning, SEC reporting, payroll, accounting, internal audit, employee benefits and services, stockholder services, insurance, treasury, purchasing, cotton procurement, management information services and tax accounting. These services have been charged on the basis of Delta Woodside's cost and allocated to the various divisions based on employee headcount, computer time, projected sales and other criteria.

During fiscal years 1997, 1998, and 1999, Delta Woodside charged the Delta Apparel Company division \$1,138,000, \$1,048,000 and \$1,135,000, respectively, for these services. During the first six months of fiscal year 2000, Delta Woodside charged the Delta Apparel Company division \$0 for these services.

### Other

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For further information on transactions with affiliates by Delta Apparel, see Notes 2 and 8 to the Combined Financial Statements of Delta Apparel under "Index to Combined Financial Statements" in this document, which information is

incorporated into this section by reference.

Except as described above with respect to yarn sales, any transaction entered into between Delta Apparel and any officer, director, principal stockholder or any of their affiliates has been on terms that Delta Apparel believes are comparable to those that would be available to Delta Apparel from non-affiliated persons.

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CAPITALIZATION

The following table sets forth at January 1, 2000: (1) the capitalization of Delta Apparel, and (2) the pro forma capitalization of Delta Apparel to give effect to the transactions described under the portion of this document found under the heading "The Delta Apparel Distribution". You should read this table in conjunction with the information located under the heading "Unaudited Pro Forma Combined Financial Statements" and the condensed combined financial statements of Delta Apparel and related notes as of January 1, 2000 and for the six months ended January 1, 2000, included on pages 52-57 and F-18 to F-22, respectively, of this document.

<TABLE>  
<CAPTION>

	AS OF JANUARY 1, 2000	
	----- ACTUAL	PROFORMA -----
	(Dollars in thousands)	
<S>	<C>	<C>
Long-term debt; including current maturities		
Industrial revenue bonds	219	--
Revolver loan	--	4,555
Five year term loan	--	10,000
Due to related parties	129,595	3,198
	-----	-----
Total long-term debt (including current maturities)	129,814	17,753
Less current maturities	(99,397)	(5,198)
	-----	-----
Total long-term debt (excluding current maturities)	30,417	12,555
Stockholders' equity (deficit)		
Preferred stock, 2,000,000 shares authorized; none issued and outstanding	-	--
Common stock, \$0.01 par value; 7,500,000 shares authorized; 2,400,000 shares issued and outstanding on a pro forma basis	-	24
Additional paid-in capital	--	44,423
	-----	-----
Divisional deficit	(67,764)	--
	-----	-----
Total stockholders' equity (deficit)	(67,764)	44,447
	-----	-----
Total capitalization	\$(37,347)	57,002
	=====	=====

</TABLE>

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UNAUDITED PRO FORMA COMBINED  
FINANCIAL STATEMENTS

The following unaudited pro forma combined financial information has been prepared from and should be read in conjunction with the historical financial statements and the notes to those statements of Delta Apparel included in this document at pages F-1 to F-21.

The unaudited pro forma combined balance sheet has been prepared to give effect to the following transactions as if they occurred on January 1, 2000:

- The contribution to equity of the intercompany debt owed by Delta Apparel to Delta Woodside and its subsidiaries and the distribution of Delta Apparel common stock to the existing Delta Woodside stockholders; and

- The refinancing of existing debt.

The unaudited pro forma combined statements of operations for the year ended July 3, 1999 and for the six months ended January 1, 2000 give effect to the following transactions as if they had occurred at the beginning of the fiscal year ended July 3, 1999:

- The decreased interest expense attributable to the contribution to equity of the intercompany debt and borrowings utilizing outside financing;
- The elimination of the intercompany management fees and the incurrence by Delta Apparel of costs to replace services previously performed by Delta Woodside; and
- The distribution of Delta Apparel common stock to the existing Delta Woodside stockholders.

Delta Apparel believes that the assumptions used provide a reasonable basis on which to present the unaudited pro forma combined financial statements. Delta Apparel is providing the unaudited pro forma combined financial statements to you for informational purposes only. You should not construe them to be indicative of Delta Apparel's results of operations or financial position had the transactions and events described above been consummated on the dates assumed. These pro forma combined financial statements also do not project the results of operations or financial position for any future period or date.

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<TABLE>  
<CAPTION>

UNAUDITED PRO FORMA COMBINED BALANCE SHEET JANUARY 1, 2000			
	HISTORICAL	PRO FORMA ADJUSTMENTS	PROFORMA AS ADJUSTED
	-----	-----	-----
	(IN THOUSANDS, EXCEPT FOR SHARE DATA)		
<S>	<C>	<C>	<C>
Assets			
Current Assets:			
Cash	\$ 69		69
Accounts and other receivables	13,973		13,973
Inventories	29,449		29,449
Prepaid expenses and other current assets	914		914
	-----		-----
Total current assets	44,405		44,405
Property, plant and equipment, net	29,142		29,142
Other assets	175		175
	-----		-----
	73,722		73,722
	=====		=====
Liabilities and Stockholders'/Divisional Equity (Deficit)			
Current liabilities:			
Current installments of long-term debt	\$ 219	1,781 (2)	2,000
Accounts payable and accrued liabilities	10,930		10,930
Due to related parties	99,178	(95,980) (1)	3,198
Income taxes payable	222	(150) (3)	72
	-----	-----	-----
Total current liabilities	110,549	(94,349)	16,200
Due to related parties	30,417	(30,417) (1)	--
Long-term debt	--	12,555 (2)	12,555
Other long-term liabilities	520		520
	-----	-----	-----
Total liabilities	141,486	(112,211)	29,275
Stockholders'/Divisional equity (deficit)			
Preferred Stock, 2,000,000 shares authorized none issued and outstanding	--		--

Common Stock, \$0.01 par value;7,500,000 shares authorized; 2,400,000 shares issuedand outstanding	--	24	(1)	24
Additional paid-in capital	--	44,423	(1)	44,423
Divisional deficit	(67,764)	67,764	(1)	--
	-----	-----		-----
Total stockholders'/divisional equity (deficit)	(67,764)	112,211		44,447
	-----	-----		-----
	\$ 73,722	--		73,722
	=====	=====		=====

</TABLE>

See notes to unaudited pro forma combined financial statements.

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NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

JANUARY 1, 2000

(in thousands of dollars, unless otherwise noted)

The following is a summary of the adjustments reflected in the unaudited pro forma combined balance sheet:

- 1) To reflect the contribution to equity of net intercompany debt owed by Delta Apparel to Delta Woodside and subsidiaries totaling \$126,397 and the distribution of 2,400,000 Delta Apparel common shares to Delta Woodside's existing stockholders.
- 2) To reflect the replacement of the intercompany debt and existing outside financing with new outside financing totaling \$14,555.
- 3) To reflect estimated tax liability.

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<TABLE>  
<CAPTION>

DELTA APPAREL COMPANY  
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JULY 3, 1999

	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
	(IN THOUSANDS, EXCEPT FOR SHARE DATA)		
<S>	<C>	<C>	<C>
Net sales	\$ 106,779		106,779
Cost of goods sold	(101,125)		(101,125)
	-----		-----
Gross profit	5,654		5,654
Selling, general and administrative expenses	(10,940)		(10,940)
Intercompany management fees	(1,135)	585 (2)	(550)
Provision for bad debt	(1,645)		(1,645)
Impairment charges	(1,415)		(1,415)
Other expenses	(221)		(221)
	-----	-----	-----
Operating loss	(9,702)	585	(9,117)
Interest (income) expense:			
Interest expense, net	(121)	(2,463) (1)	(2,584)
Intercompany interest expense	(9,457)	9,457 (1)	---
	-----	-----	-----
	(9,578)	6,994	(2,584)
	-----	-----	-----
Loss before income taxes	(19,280)	7,579	(11,701)
Income tax expense (benefit)	(90)		(90)
	-----	-----	-----

Net loss	\$ (19,190)	7,579	(11,611)
	=====	=====	=====
Basic and diluted net loss per share			\$ (4.84)
			=====
Weighted average shares outstanding used in basic and diluted per share calculation (4)			2,400,000
			=====

</TABLE>

See notes to unaudited pro forma combined financial statements.

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<TABLE>  
<CAPTION>

DELTA APPAREL COMPANY  
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JANUARY 1, 2000

	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
	-----	-----	-----
	(IN THOUSANDS, EXCEPT FOR SHARE DATA)		
<S>	<C>	<C>	<C>
Net sales	\$ 50,221		50,221
Cost of goods sold	(43,511)		(43,511)
	-----		-----
Gross profit	6,710		6,710
Selling, general and administrative Expenses	(3,563)		(3,563)
Intercompany management fees	--	(162) (2)	(162)
Provision for bad debts	(116)		(116)
Other expenses	(12)		(12)
	-----	-----	-----
Operating income	3,019	(162)	2,857
Interest (income) expense:			
Interest expense, net	(10)	(682) (1)	(692)
Intercompany interest expense	(4,276)	4,276 (1)	--
	-----	-----	-----
	(4,286)	3,594	(692)
	-----	-----	-----
Income (loss) before income taxes	(1,267)	3,432	2,165
Income taxes (benefit)	(59)	107 (3)	48
	-----	-----	-----
Net income (loss)	\$ (1,208)	3,325	2,117
	=====	=====	=====
Basic and diluted net income per share			\$ 0.88
			=====
Weighted average shares outstanding used in basic and diluted per share calculation (4)			2,400,000
			=====

</TABLE>

See notes to unaudited pro forma combined financial statements.

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NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS

FOR THE FISCAL YEAR ENDED JULY 3, 1999 AND THE SIX MONTHS ENDED JANUARY 1, 2000

(in thousands of dollars, unless otherwise noted)

The following is a summary of the adjustments reflected in the unaudited pro forma combined statements of operations:

- 1) To reflect interest expense on new borrowings committed to by a financial institution lender of \$10,000 under a term loan and amounts outstanding

under a revolver loan at an assumed interest rate (including the amortization of lender fees) of 9.5%. Also, to reflect the elimination of intercompany interest expense for the six months ended January 1, 2000 and the fiscal year ended July 3, 1999 totaling \$4,276 and \$9,457, respectively, on the intercompany debt owed by Delta Apparel to Delta Woodside. If the interest rate on Delta Apparel's outstanding new Borrowings were increased by 1/8 percent, Delta Apparel's pro forma interest expense would have been approximately \$33 higher in the fiscal year ended July 3, 1999 and approximately \$9 higher in the six months ended January 1, 2000.

- 2) To eliminate intercompany management fees for the six month period ended January 1, 2000 and the year ended July 3, 1999 of \$0, and \$1,135, respectively, that were charged by Delta Woodside and to replace these fees with payroll and purchasing administrative expenses, director fees, SEC reporting expenses, software expenses and audit fees totaling \$550 annualized.
- 3) To reflect estimated tax liability.
- 4) To reflect earnings per share based on weighted-average shares outstanding assuming a distribution of one Delta Apparel share for every ten Delta Woodside shares outstanding on the record date.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

You should read the following discussion in conjunction with Delta Apparel's historical financial statements and the notes to those statements included elsewhere in this document.

The following discussion contains various "forward-looking statements". Please refer to "Forward-Looking Statements May Not Be Accurate" for a description of the uncertainties and risks associated with forward-looking statements.

OVERVIEW OF RESULTS OF OPERATIONS

Fiscal year 1995 was the last full year that Delta Apparel achieved an operating profit. Business operations were negatively impacted over the following several years as Delta Apparel closed its United States sewing plants and moved its sewing operations off shore to lower wage countries. During the same period, most competitors of Delta Apparel also moved sewing operations off-shore and selling prices for T-shirts started a decline that continued through the first six months of fiscal year 2000. For example, the average sale price of a dozen of Delta Apparel's basic T-shirt dropped approximately 32% from fiscal year 1996 to the second quarter of fiscal year 2000. Sales prices have dropped in response to lower sewing costs and a general decline in the cost of raw materials, particularly cotton. Recently, sales prices have stopped their decline, and Delta Apparel believes that the rate of price declines is likely to slow generally as the industry completes its move of production facilities off-shore and to the extent that raw material price declines slow or are reversed.

Delta Apparel's shift in manufacturing locations led to losses on the disposal of fixed assets associated with the closing of United States sewing plants. Delta Apparel also made the decision in fiscal 1998, based on management's assessment of expected future cash flows and business conditions, to take an impairment charge of \$7.5 million to write-off the excess of cost over net assets acquired.

The industry trends have required Delta Apparel to develop the infrastructure to manage an off-shore manufacturing system and to implement new information systems to respond to the need for additional data. Delta Apparel has also modernized its textile manufacturing facility in Maiden, North Carolina. During the last twenty-four months, Delta Apparel believes that it strengthened its management team as well, by bringing in a new Chief Executive Officer and a new Chief Financial Officer.

Delta Apparel believes that its investments in off-shore sewing operations and modernization of its domestic fabric manufacturing operations provide it

with a cost structure that will allow it to compete effectively in the activewear T-shirt markets. Additionally, Delta Apparel believes that its enterprise resource planning system gives it competitive advantages in production, inventory control, invoicing, accounts receivable collection and customer service.

Delta Apparel has developed a three-year business plan that attempts to take advantage of the investments made and the core competencies believed to exist in its business. This plan includes a balanced marketing approach that targets three channels of distribution, namely sales to distributors, catalog direct sales and private label sales. Delta Apparel has commenced implementation of this business plan and believes that this is part of the reason for the improvement in the results of its operations since the end of fiscal year 1999.

Delta Apparel's operating results are dependent in large part on orders from retailers, distributors, and screen printers that supply finished garments to retailers. Generally, when retail sales of apparel are strong, Delta Apparel benefits. Delta Apparel's operating results are also dependent on the utilization of its manufacturing facilities. Delta Apparel did not fully utilize its facilities during fiscal 1999. Delta Apparel believes that it will operate its facilities at or near full capacity during fiscal 2000, even though that capacity has increased as a result of Delta Apparel's modernization of its knit and dye operations in fiscal years 1998 and 1999. Delta Apparel invested over \$7 million in capital improvements in fiscal years 1998 and 1999, resulting in increased capacity and lower operating costs.

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#### FIRST SIX MONTHS OF FISCAL YEAR 2000 VERSUS FIRST SIX MONTHS OF FISCAL YEAR 1999

**Net Sales.** Net sales for the six month period ended January 1, 2000 were \$50.2 million as compared to net sales of \$43.1 million for the prior year six month period. This increase was due to significantly higher unit volume at lower average selling prices.

**Gross Margin.** Gross profit and gross profit margin for the first six month period of fiscal year 2000 were \$6.7 million and 13.3%, respectively, as compared to \$5.3 million and 12.3%, respectively, in the prior year six month period. The lower average selling prices described above were offset by lower manufacturing costs, driven by improved manufacturing efficiencies and higher capacity utilization.

**Selling General and Administrative Expenses.** For the six month period ended January 1, 2000, selling, general and administrative expenses were \$3.7 million, or 7.4% of sales, a decrease of \$1.9 million from the prior year six month period of \$5.6 million, or 12.9% of sales. This decrease was due to a number of factors, including a reduction in head count, lower allocated Delta Woodside corporate overhead, reduced bad debt expense, lower selling expense, and a reduction in distribution expense. This lower level of selling, general and administrative spending is expected to continue in the future.

**Operating Income.** For the six month period ended January 1, 2000 operating income was \$3.0 million or 6.0% of sales. The \$3.6 million improvement from the operating loss of \$0.6 million for the prior year six month period was due to the factors described above.

**Net Interest Expense.** For the six month period ended January 1, 2000, net interest expense was \$4.3 million, as compared to \$4.4 million for the six month period ended December 26, 1998.

**Taxes.** The effective tax benefit rate was 4.7% for the six months ended January 1, 2000 as compared to the effective tax benefit rate of 0.5% for the six months ended December 26, 1998. Although both periods reflected a pretax loss, the current period's tax benefit results from lower franchise tax due.

**Net Loss.** The net loss for the six month period ended January 1, 2000 of \$1.2 million was \$3.8 million lower than the net loss of \$5.0 million for the prior year period. This decrease was due to the factors described above.

**Inventories.** Inventories at Delta Apparel at January 1, 2000 were \$29.4 million as compared to \$41.0 million on December 26, 1998. This reduction in inventory was due to lower units on hand, better management of in process inventory, and lower manufacturing cost of goods, as described above.



Capital Expenditures. Capital expenditures were \$1.0 million for the six month period ended January 1, 2000 as compared to \$1.3 for the prior year period. This decrease was due to a reduction in spending for domestic textile modernization.

Order Backlog. Delta Apparel's order backlog at January 1, 2000 was \$12.8 million, an increase of 2.4% from the order backlog of \$12.5 million at December 26, 1998. This increase is the net result of an increase in backlog for private label accounts offset somewhat by lower selling prices. Delta Apparel believes that backlog orders can give a general indication of future sales.

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FISCAL YEAR 1999 VERSUS FISCAL YEAR 1998

Net Sales. Net sales for fiscal year 1999 were \$107 million, which was consistent with net sales of \$108 million in fiscal year 1998. Fiscal year 1999 net sales included \$5.0 million of outside yarn sales from the Rainsford plant versus none in fiscal year 1998. Control of operations, management and net assets of the Rainsford plant was transferred by Delta Mills to Delta Apparel in April 1998, and the results of operations and net assets of the Rainsford plant have been included in Delta Apparel since that time. Lower fiscal year 1999 net sales were the result of lower unit prices partially offset by increased unit sales as compared to fiscal year 1998.

Gross Profit. Gross profit increased to \$5.7 million in fiscal year 1999 from \$4.1 million in fiscal year 1998, and gross profit margin increased to 5.3% in fiscal year 1999 from 3.8% in fiscal year 1998, as a result of lower raw material costs and better manufacturing efficiencies. Included in fiscal year 1999 is a charge of \$1.7 million to increase reserves on certain discontinued and slow moving inventory categories.

Selling General and Administrative Expenses. During the year ended July 3, 1999, selling, general and administrative expenses were \$13.7 million, as compared to \$13.9 million during the year ended June 27, 1998, a decrease of \$0.2 million or 1.4%. For the year ended July 3, 1999, expenses in this category were 12.8% of net sales as compared to 12.9% of net sales for the year ended June 27, 1998. The decrease in selling, general and administrative expenses was driven by a reduction of \$1.3 million in administrative cost offset by bad debt expense of \$1.6 million which was \$1.0 million higher than the amount in fiscal 1998. The lower administrative cost resulted from headcount and cost reductions. The higher bad debt cost resulted from two customer bankruptcies.

Operating Loss. The fiscal year 1999 operating loss was \$9.7 million, compared to an operating loss of \$17.8 million in fiscal 1998. Delta Apparel's improved gross profit contributed to the reduction in operating loss for fiscal year 1999. The fiscal 1998 operating loss included an impairment charge of \$7.5 million that was recorded to write off the excess of cost over assigned value of net assets acquired. This impairment charge was recorded because Delta Apparel continued to incur operating losses, the T-shirt apparel industry continued to see declines in margins due to offshore competition and Delta Apparel had lost its largest customer in the fourth quarter of fiscal year 1997. Concurrently with Delta Apparel's annual planning process, Delta Apparel determined that the future undiscounted cash flows were below the carrying value of goodwill. The fiscal 1999 operating loss included a \$1.4 million impairment charge to adjust the carrying value of certain plant assets, primarily with respect to the Washington, Georgia sewing facility and the Knoxville, Tennessee distribution center. Both of these facilities were written down to their respective fair values.

Net Interest Expense. For the year ended July 3, 1999, net interest expense was \$9.6 million, as compared to \$6.4 million for the year ended June 27, 1998. The increase in interest expense was primarily a result of the higher average principal balance outstanding on affiliated debt. Delta Apparel's indebtedness will be significantly lower after the Delta Apparel distribution. See "Capitalization"; "Unaudited Pro Forma Combined Financial Statements".

Taxes. The effective tax rate for the year ended July 3, 1999 was 0.5% as compared to a (0.4)% effective tax rate for the year ended June 27, 1998. Although both years reflected a pretax loss, the year ended July 3, 1999 had less of a tax benefit due to increasing the valuation allowance for net operating loss carryover benefits which may not be recognized in the future.

Net Loss. Net loss for the year ended July 3, 1999, was \$19.2 million, as

compared to \$24.3 million for the year ended June 27, 1998, due to the factors described above.

Inventories. Inventories at Delta Apparel at July 3, 1999 totaled \$27 million, compared to \$32 million at June 27, 1998. The decrease resulted primarily from a strategic focus to improve raw material and work in process inventory management utilizing the benefits gained from the implementation of enterprise-wide resource planning software, as well as a \$1.7 million charge to increase reserves on certain discontinued and slow moving inventory categories.

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Capital Expenditures. Capital expenditures in fiscal 1999 were \$3.6 million as compared to \$3.7 million in fiscal 1998. These investments were primarily for the modernization of the textile operations, which has resulted in increased capacity and lower costs, as well as the implementation of the Enterprise Wide Resource Planning system.

#### FISCAL YEAR 1998 VERSUS FISCAL YEAR 1997

Net Sales. Net sales for fiscal year 1998 were \$108 million, a decline of 4.4% from sales of \$113 million in fiscal year 1997. The decline in sales was due primarily to lower unit prices and a slight drop in units being shipped as compared to fiscal year 1997.

Gross Profit. Gross profit increased from \$3.3 million in fiscal year 1997 to \$4.1 million in fiscal year 1998, and gross profit margin increased from 2.9% in fiscal year 1997 to 3.8% in fiscal year 1998, as a result of lower raw material prices and lower manufacturing cost resulting from the shift of sewing operations off-shore more than offsetting lower selling prices.

Selling General and Administrative Expenses. During the year ended June 27, 1998, selling, general and administrative expenses were \$13.9 million, as compared to \$9.5 million during the year ended June 28, 1997, an increase of \$4.4 million or 46%. This increase is attributable to an increase in advertising expense and an increase in general and administrative personnel cost.

Operating Loss. During the third quarter of fiscal 1998, Delta Apparel determined that the excess of cost over assigned value of net assets acquired was impaired. Accordingly, a charge of \$7.5 million was taken to write-off this excess of cost over assigned value of net assets acquired. The fiscal year 1998 operating loss, including this write-off of the excess of cost over assigned value of net assets acquired, was \$17.8 million compared to an operating loss of \$6.4 million in the fiscal year 1997. The increased operating loss was primarily a result of the goodwill write-off, but was also due to the increase in selling, general and administrative expenses.

Net Interest Expense. For the year ended June 27, 1998, net interest expense was \$6.4 million, as compared to \$5.9 million for the year ended June 28, 1997. The increase in interest expense was primarily a result of the higher average principal balance outstanding on affiliated debt.

Taxes. The effective tax rate for the year ended June 27, 1998 was (0.4)% as compared to a 1.7% effective tax rate for the year ended June 28, 1997. Although both years reflected a pretax loss, in fiscal year 1998 Delta Apparel had more tax expense recognized due to higher permanent non-deductible differences.

Net Loss. Net loss for the year ended June 27, 1998, was \$24.3 million, as compared to \$12.1 million for the year ended June 28, 1997. The decrease was due to the factors described above.

Inventories. Inventories at Delta Apparel at June 27, 1998 totaled \$32 million, compared to \$41 million at June 28, 1997. The decrease was due primarily to lower finished goods and work in process inventory resulting from a production cutback during fiscal year 1998 in order to maintain a lower amount of working capital.

Capital Expenditures. Capital expenditures in fiscal 1998 were \$3.7 million as compared to \$2.3 million in fiscal 1997. The increased spending in 1998 was a result of the textile modernization program.

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## Historical

In each of the first six months of fiscal year 2000 and in fiscal years 1999, 1998 and 1997, Delta Apparel's source of liquidity and capital has been the informal borrowing arrangement it has had with its parent company, Delta Woodside. As funds were needed, the affiliated debt was increased, and as funds were generated, the affiliated debt was decreased.

Delta Apparel's operating activities resulted in \$10.7 million of cash provided in the first six months of fiscal 2000 as compared to \$5.8 million of net cash used in the first six months of fiscal 1999. Delta Apparel's operating activities resulted in uses of cash of \$6.8 million in fiscal year 1999, \$12.6 million in fiscal year 1998 and \$13.7 million in fiscal year 1997. The cash provided in the first six months of fiscal year 2000 was primarily due to a reduction in accounts receivable and an increase in accounts payable and accrued expenses and was after the charge of \$4.3 million of interest to Delta Woodside on affiliated debt. The uses of cash in each of the fiscal years 1999, 1998 and 1997 were primarily associated with net losses incurred in each of these years. These net losses included interest charges on the affiliated debt of \$9.5 million in fiscal year 1999, \$6.5 million in fiscal year 1998 and \$6.1 million in fiscal year 1997.

Capital expenditures were \$3.6 million in the year ended July 3, 1999 and \$3.7 million in the year ended June 27, 1998. Capital expenditures in both these years were primarily related to the modernization of knitting, dyeing and finishing facilities, as well as the implementation of an Enterprise Wide Resource Planning system. Delta Apparel expects fiscal 2000 capital expenditures, primarily for a slight capacity increase and maintenance, to approximate \$2.0 million.

## Pro Forma

In connection with the Delta Apparel distribution, Delta Woodside will contribute, as contributions to capital, all net debt amounts owed to it by the corporations that previously had conducted the Delta Apparel Company division's business and the Duck Head Apparel Company division's business. As a result of this action, Delta Apparel will no longer owe any amounts to Delta Woodside, other than for yarn purchased from Delta Mills prior to the Delta Apparel distribution and as otherwise specifically provided in the distribution agreement or the tax sharing agreement.

Also in connection with the Delta Apparel distribution, Delta Apparel will enter into the following financing arrangements:

- Delta Apparel will enter into a credit agreement with a lending institution, under which the lender will provide Delta Apparel with a \$10 million term loan and a 3-year \$25 million revolving credit facility. All loans under the credit agreement will bear interest at rates based on an adjusted LIBOR rate plus an applicable margin or a bank's prime rate plus an applicable margin. Delta Apparel will grant the lender a first mortgage lien on or security interest in substantially all of its assets. Delta Apparel will have the option to increase the revolving credit facility from \$25 million to \$30 million, provided that no event of default exists under the facility.
- The credit agreement will contain limitations on, or prohibitions of, cash dividends, stock purchases, related party transactions, mergers, acquisitions, sales of assets, indebtedness and investments.
- Principal of the term loan will be repaid in monthly installments of principal based on a 60 month amortization, with payment of all outstanding principal and interest required upon earlier termination of the credit facility.
- Under the revolving credit facility, Delta Apparel will be able to borrow up to \$25 million (including a \$10.0 million letter of credit subfacility) subject to borrowing base limitations based on accounts receivable and inventory levels.

January 1, 2000 (for purposes of the pro forma balance sheet) or the beginning of the 1999 fiscal year (for purposes of the pro forma income statements). Using the same assumptions as are in these pro forma income statements, if the Delta Apparel distribution had taken place at the beginning of fiscal year 1999, the cash generated by operating activities during fiscal year 1999 would have been approximately \$0.8 million (\$7.5 million less than the actual use of cash from operations). The lower use of cash would have been mainly due to \$6.9 million less interest expense and 0.6 million net reduction in the management fee charged by Delta Woodside as compared to the estimated cost of replacing these services.

Using the same assumptions as are in the pro forma income statements, if the Delta Apparel distribution had taken place at the beginning of fiscal year 1999, cash provided by operating activities during the first six months of fiscal year 2000 would have been approximately \$13.9 million. This \$3.2 million increase in cash provided by operations would have been due to lower interest payments on the institutional lender debt as compared to the actual interest charged on the affiliated debt.

Typically, Delta Apparel's peak borrowing needs are in the third and fourth fiscal quarters. Delta Apparel anticipates that at the time it enters into its new credit facility, it will owe amounts to the lender on Delta Woodside's existing credit facility for borrowings made to fund Delta Apparel's working capital needs after January 1, 2000 and to fund the repayment in March 2000 of Delta Apparel's existing mortgage debt. Any such borrowings will be refinanced by proceeds of Delta Apparel's new credit facility.

Delta Apparel expects that its peak borrowing needs will be in its third and fourth fiscal quarters and that during those quarters it may need to draw or set aside for letters of credit approximately \$15 million under its revolving credit facility for working capital purposes and letters of credit. Approximately forty-five percent of the face amount of outstanding documentary letters of credit will reduce the amount available under the revolving credit facility for working capital loans.

Based on these expectations, Delta Apparel believes that its \$25 million revolving credit facility should be sufficient to satisfy its foreseeable working capital needs, and that the cash flow generated by its operations and funds available under its revolving credit line should be sufficient to service its debt payment requirements to satisfy its day-to-day working capital needs, and to fund its planned capital expenditures. Any material deterioration in Delta Apparel's results of operations, however, may result in Delta Apparel losing its ability to borrow under its revolving credit facility and to issue letters of credit to suppliers or may cause the borrowing availability under that facility not to be sufficient for Delta Apparel's needs.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Risk Sensitivity. As a part of Delta Apparel's business of converting fiber to finished apparel, Delta Apparel makes raw cotton purchase commitments and then fixes prices with cotton merchants who buy from producers and sell to textile manufacturers. Delta Apparel may seek to fix prices up to 18 months in advance of delivery. Daily price fluctuations are minimal, yet long-term trends in price movement can result in unfavorable pricing of cotton for Delta Apparel. Before fixing prices, Delta Apparel looks at supply and demand fundamentals, recent price trends and other factors that affect cotton prices. Delta Apparel also reviews the backlog of orders from customers as well as the level of fixed price cotton commitments in the industry in general. At January 1, 2000, a 10% decline in the market price of the cotton covered by Delta Apparel's fixed price contracts would have had a negative impact of approximately \$1.3 million on the value of the contracts.

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Interest Rate Sensitivity. Delta Apparel's credit agreement will provide that the interest rate on outstanding amounts owed shall bear interest at variable rates. An interest rate increase would have a negative impact on Delta Apparel to the extent that it has borrowings outstanding under either its term loan or its revolving line of credit. Based on the assumptions used in preparing the pro forma statements of operations contained under the heading "Unaudited Pro Forma Combined Financial Statements", if the interest rate on Delta Apparel's outstanding indebtedness had been increased by 1% of the debt's average outstanding principal balance, Delta Apparel's pro forma interest expense would have been approximately \$231,000 higher in the fiscal year ended July 3, 1999 and approximately \$72,000 higher in the six months ended January 1,

2000. The actual increase in interest expense resulting from a change in interest rates would depend on the magnitude of the increase in rates and the average principal balance outstanding.

#### YEAR 2000 COMPLIANCE

The Year 2000 computer problem refers to the potential for system and processing failures of date-related data as a result of computer-controlled systems using two digits rather than four to define the applicable year. For example, software programs that have time sensitive components may recognize a date represented as "00" as the year 1900 rather than the year 2000.

To date, Delta Apparel has spent approximately \$401,000 on Year 2000 compliance issues, including the purchase of hardware and the cost of third party consultants. Based on Delta Apparel's current assessment, Delta Apparel does not anticipate incurring any material additional costs associated with the Year 2000 issue.

Delta Apparel has not suffered any material adverse effect as a result of the Year 2000 problem.

#### DIVIDENDS AND PURCHASES BY DELTA APPAREL OF ITS OWN SHARES

Delta Apparel's ability to pay cash dividends or purchase its own shares will largely be dependent on its future results of operations and compliance with its loan covenants. Delta Apparel's credit agreement will permit the payment of cash dividends in an amount up to 25% of cumulative net income (excluding extraordinary or unusual non-cash items), provided that no event of default exists or would result from that payment and after the payment at least \$6.0 million remains available under the revolving credit facility. Delta Apparel's credit agreement will also permit up to an aggregate of \$3.0 million of purchases by Delta Apparel of its own stock provided that no event of default exists or would result from that action and after the purchase at least \$3.0 million remains available under the revolving credit facility.

Delta Apparel currently anticipates that it will pay no cash dividends to its stockholders for the foreseeable future. If Delta Apparel's board of directors determines at any time that the purchase of its own stock is in the best interests of its stockholders and that the purchase complies with its loan covenants, Delta Apparel may purchase its own shares in the market or in privately negotiated transactions.

In general, any future cash dividend payments will depend upon Delta Apparel's earnings, financial condition, capital requirements, compliance with loan covenants and other relevant factors.

#### 64 BUSINESS OF DELTA APPAREL

The following discussion contains various "forward-looking statements". Please refer to "Forward-Looking Statements May Not Be Accurate" for a description of the uncertainties and risks associated with forward-looking statements.

Delta Apparel is a Georgia corporation with its principal executive offices located at 3355 Breckinridge Blvd., Suite 100, Duluth, Georgia 30096 (telephone number: 770-806-6800). Delta Apparel was incorporated in 1999.

The following information under this heading, "Business of Delta Apparel", describes Delta Apparel as if the transactions contemplated by the distribution agreement had been consummated at the beginning of the periods described. All references in this document to Delta Apparel refer to Delta Apparel, Inc., together with its subsidiaries.

#### BUSINESS

Delta Apparel is a vertically integrated supplier of knit apparel, particularly T-shirts, sportswear and fleece goods. Approximately 92% of Delta Apparel's fiscal year 1999 sales were of T-shirts. Delta Apparel specializes in selling to the decorated knit apparel marketplace products such as blank T-shirts, golf shirts and fleece sweatshirts. Delta Apparel sells its products to distributors, screen printers and private label accounts.

Delta Apparel markets a standard set of knit garments with standard colors under the Delta Apparel label to distributors, who resell to printers, and directly to large printer accounts. Delta Apparel also supplies knit apparel to private label customers under the customers' label. Approximately 40% of Delta Apparel's sales are to screen printers and approximately 35% to distributors, with the balance of its sales to private label accounts. Generally, sales to distributors and large printers are driven by availability of competitive products and price. Margins are generally 4 to 10 percentage points higher in the private label business, which is also characterized by slightly higher customer loyalty.

Delta Apparel's marketing is performed primarily by employed sales personnel located throughout the country. Delta Apparel maintains a sales office in New York City. Sales personnel call directly on the retail trade, contacting department stores, distributors, screen printing companies and mass marketers such as discount houses. Delta Apparel also utilizes independent sales representatives to sell to screen printing companies. Most knit apparel items are inventoried based on forecasts to permit quick shipment and to level production schedules. Special knit apparel items and customer private label knit apparel styles generally are made only to order.

Delta Apparel's sales reflect some seasonality, with sales during the first and fourth fiscal quarters generally being highest and sales during the second fiscal quarter generally being the lowest.

Delta Apparel spins the majority of its yarn at its modern facility in Edgefield, South Carolina, with the remainder being purchased from outside vendors. The business knits, dyes, finishes and cuts virtually all its fabric in a company owned plant in Maiden, North Carolina. Delta Apparel sews most of its garments in two leased facilities in Honduras and a small part of its production at a company owned plant in Georgia. Delta Apparel also uses outside sewing contractors when demand exceeds internal production capacity or it is cost-effective to do so. Approximately 25% of Delta Apparel's current sewing requirements are satisfied by outside contractors. All products are distributed from Delta Apparel's distribution center in Tennessee. During the last three years, Delta Apparel has opened its two Honduras plants and closed five sewing plants in the United States. At 1999, 1998 and 1997 fiscal year ends, Delta Apparel's long-lived assets in Honduras comprised 6.6%, 4.9% and 11.8%, respectively, of Delta Apparel's total net property, plant and equipment. Delta Apparel is currently planning to establish a leased sewing facility in Mexico which could commence production by the end of calendar year 2000.

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Fabrics used by Delta Apparel are primarily 100% cotton and polyester/cotton blends. Cotton is acquired from several suppliers. Although Delta Apparel purchases polyester fiber from one supplier, Delta Apparel does not believe that the loss of this supplier would have a material adverse effect on it.

Delta Apparel's principal raw material is cotton. Delta Apparel's average price per pound of cotton purchased and consumed (including freight and carrying cost) was \$.678 in fiscal year 1999, \$.817 in fiscal year 1998, \$.833 in fiscal year 1997 and \$.690 in the first six months of fiscal year 2000. In fiscal year 2000 Delta Apparel expects to use approximately 40 million pounds of cotton in its manufacture of yarn. Delta Apparel has contracted to purchase approximately 73% of its expected cotton requirements for fiscal year 2000. The percentage of its cotton requirements that Delta Apparel fixes each year varies depending upon its forecast of future cotton prices. Current cotton market prices are at relatively low levels. Delta Apparel believes that recent cotton prices has enabled it to contract for cotton at prices that will permit it to be competitive with other companies in the United States apparel industry when the cotton purchased for future use is put into production. To the extent that cotton prices decrease before Delta Apparel uses these future purchases, Delta Apparel could be materially and adversely affected, as there can be no assurance that it would be able to pass along its own relatively higher costs to its customers. In addition, to the extent that cotton prices increase and Delta Apparel has not provided for its requirements with fixed price contracts, Delta Apparel may be materially and adversely affected, as there can be no assurance that it would be able to pass along these increased costs to its customers. Since the middle of fiscal year 1999, polyester prices have been increasing.

No customer accounted for more than 10% of Delta Apparel's sales in the first six months of fiscal year 2000 or in fiscal year 1999 or fiscal year 1998. Approximately 25% of Delta Apparel's fiscal year 1997 sales were to NIKE, Inc. As a consequence of the loss of this account (which resulted from Delta Apparel's inability at that time to service a private label program of that magnitude), part of Delta Apparel's strategy is not to become dependent on any particular customer.

Many customers place multi-month orders, but request shipment at their discretion. Third party carriers are used to ship products to Delta Apparel's customers.

#### Business Strategy

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Delta Apparel's strategy is to provide the best value to its customers with respect to the products it manufactures. This strategy includes the following components:

- Consistently produce high quality products.
- Provide excellent customer service with respect to rapid and accurate delivery, a close tie in to the customers' inventory needs and order monitoring.
- Shift the product mix to better margin items, such as youth style, long sleeve and heather T-shirts.
- Take advantage of being a totally vertical producer to reduce costs, plan efficient production, implement exacting controls and provide consistent products.
- Use its Honduran facilities to manufacture most of its product, taking advantage of the favorable wage differential offered by that country.
- Establish a Mexican sewing plant to take advantage of the favorable wage differential offered by that country and the benefits offered by NAFTA.

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- Use its Georgia plant to produce goods needed on a quick turnaround basis.
- Increase the focus on a relatively small range of core basic products.
- Have a balanced mix of customers.
- Improve its management of inventory and accounts receivable.
- Increase production capacity to the extent economically feasible.

Delta Apparel's management believes that this strategy will take advantage of the following market trends:

- Increasing coordination, including electronic data interchange, between producers and retailers.
- Compression of the supply chain, with retailers monitoring sales on a weekly or daily basis, carrying less inventory, demanding quicker response times from producers and requiring producers to keep the retailers' inventories stocked for quick delivery.
- Because of the retailers' focus on cost reduction and enhancing narrow margins, virtually all productive capacity has gone off shore.
- Continued trend in the market toward more casual clothes.

#### Competition

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The cyclical nature of the apparel industry, characterized by rapid shifts in fashion, consumer demand and competitive pressures, results in both price and demand volatility. The demand for any particular product varies from time to time based largely upon changes in consumer preferences and general economic

conditions affecting the apparel industry, such as consumer expenditures for non-durable goods. The apparel industry is also cyclical because the supply of particular products changes as competitors enter or leave the market.

Delta Apparel competes with a number of United States and Canadian branded and private label manufacturers of knit apparel. Many of these companies are larger in size and have greater financial resources than Delta Apparel.

Some of Delta Apparel's competitors have begun to offer their product on consignment (whereby the customer is not billed until the customer resells the product) or with extended payment terms (90 to 180 days) to customers in some market segments. Delta Apparel's current strategy does not include offering similar terms to its customers. Delta Apparel believes that the long-term benefits of its approach will outweigh any short-term loss of business that it may suffer as result of this practice by some of its competitors.

Approximately three-quarters of the United States market sales of knit apparel are made by three major knit apparel manufacturers which are Delta Apparel's primary competitors. Based on mill dozens sold in 1998, Delta Apparel has an approximate 5% share of the market for decorated T-shirts for wholesalers and screen printers, which is up from 4% in 1996 and makes it a second tier supplier to the market. In fiscal year 1999, approximately 92% of Delta Apparel's sales were of T-shirts, 5% of Delta Apparel's sales were of fleece sweatshirts and 3% of Delta Apparel's sales were of other products.

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The principal competitive factors are price, service, delivery time, quality and flexibility, with the relative importance of each factor depending upon the needs of particular customers and the specific product offering. Delta Apparel's products face considerable price pressure. Delta Apparel's strategy is to provide the best value to its customers. Favorable competitive aspects of Delta Apparel's business are the relatively high quality of its products, its state of the art information systems, its relatively low distribution and selling and general administrative costs and the business' flexibility and process control, which leads to product consistency. These advantages derive from Delta Apparel being a totally vertical producer, its focus on service and quick order turn around times and its relatively low distribution costs. Delta Apparel's primary relative competitive disadvantage is that its Delta Apparel brand name is not as well known as the brand names of its largest competitors, such as Fruit-of-the-loom, Hanes and Russell.

#### Employees

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At January 1, 2000, Delta Apparel had approximately 2,050 employees. Delta Apparel's employees are not represented by unions. Delta Apparel believes that its relations with its employees are good.

#### Environmental and Regulatory Matters

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Delta Apparel is subject to various federal, state, and local environmental laws and regulations concerning, among other things, wastewater discharges, storm water flows, air emissions, ozone depletion, and solid waste disposal. Delta Apparel's plants generate very small quantities of hazardous waste, which are either recycled or disposed of off site. Most of its plants are required to possess one or more discharge permits.

Delta Apparel believes that it is in compliance in all material respects with federal, state, and local environmental statutes and requirements.

Delta Apparel's Maiden, North Carolina textile plant has received complaints from downstream owners about the color of its effluent discharge into a river's tributary. Although Delta Apparel's current NPDES permit, which expires in July 2000, does not regulate the color of effluent, some additional regulatory control of color is likely to occur in the future. Delta Apparel estimates that it can reduce the color of its effluent discharge at an estimated cost of approximately \$200,000 to \$300,000 per year.

As a result of environmental rules, any significant increase in production capacity of the Maiden, North Carolina plant would require significant capital expenditures.

Delta Apparel incurs capital and other expenditures in each year that are



aimed at achieving compliance with current and future environmental standards. Generally, the environmental rules applicable to Delta Apparel are becoming increasingly stringent.

Delta Apparel does not expect that the amount of these expenditures in the future will have a material adverse effect on its operations or financial condition. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, the extent of Delta Apparel's liability, if any, for past failures to comply with laws, regulations and permits applicable to its operations cannot be determined.

#### Legal Proceedings

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In April 1994, a product liability and wrongful death suit, captioned Scelza, et al. v. Caldor, Inc., et al, was filed in the Supreme Court of the State of New York in New York County, New York, against Duck Head Apparel Company, Inc. (which conducts the Delta Apparel Company division's business and the Duck Head Apparel Company division's business) and other parties. The suit seeks \$95 million, plus punitive damages and attorneys' fees, for the death in January 1993 of Mrs. Scelza allegedly caused by her bodysuit and Duck Head sweatshirt catching fire while she used a gas range. The suit has been stayed as a result of the bankruptcy of Caldor, Inc., a defendant in the case. The case is still in the preliminary stages and very little discovery has been completed. Because the allegedly defective sweatshirt was manufactured by the Delta Apparel Company division, Delta Apparel has agreed in the distribution agreement to indemnify Delta Woodside and Duck Head with respect to this suit. Delta Apparel believes that any reasonably likely recovery in the suit would be covered by insurance and, therefore, does not believe that the suit will have a material adverse effect on Delta Apparel.

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All other pending litigation to which Delta Apparel is a party is ordinary routine product liability litigation or contract breach litigation incident to its business that does not depart from the normal kind of such actions. Delta Apparel believes that none of these actions, if adversely decided, would have a material adverse effect on its results of operations or financial condition taken as a whole.

#### Properties

The following table provides a description of Delta Apparel's principal production and warehouse facilities.

<TABLE>  
<CAPTION>

Location	Utilization	Approximate Square Footage	Owned/Leased
<S>	<C>	<C>	<C>
Duluth, GA	admin. offices	40,244	Leased (1)
Rainsford Plant, Edgefield, SC	spin	296,000	Owned (2)
Maiden Plant, Maiden, NC	knit/dye/finish/cut	305,000	Owned
Washington Plant, Washington, GA	sew	129,800	Owned
Distribution Center, Knoxville, TN	distribution	550,000	Owned
Honduras Plant, San Pedro Sula, Honduras	sew	70,000	Leased (3)
Honduras Plan, San Pedro Sula, Honduras	sew	30.000	Leased (3)

<FN>

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- (1) The lease of the Duluth, Georgia offices expires in August 2000.
  - (2) In connection with the Delta Apparel distribution, Delta Mills will transfer title in the Rainsford plant to Delta Apparel. See "Relationships Among Delta Apparel, Delta Woodside and Duck Head - Other Relationships".
  - (3) The lease of each of these Honduras plants expires in November 2000. Delta Apparel has an option to extend each lease for an additional 5 years.

</TABLE>

In addition, sales offices are leased in New York City on a month-to-month basis.

All of Delta Apparel's owned facilities will be subject to mortgages and security interests to be granted in favor of the credit agreement lender. Delta Apparel's accounts receivable and inventory, and certain other intangible property, currently secure Delta Woodside's credit facility. In connection with the Delta Apparel distribution, these liens on the assets of Delta Apparel will be released and new liens on all of Delta Apparel's assets will be granted to Delta Apparel's credit agreement lender.

Various factors affect the relative use by Delta Apparel of its own facilities and outside contractors in the various apparel production phases. Delta Apparel is currently using the majority of its internal production capacity.

Delta Apparel believes that its equipment and facilities are generally adequate to allow it to remain competitive with its principal competitors.

MANAGEMENT OF DELTA APPAREL

DIRECTORS

The following eight persons are the members of Delta Apparel's board of directors. Their term runs until the next annual meeting of stockholders of Delta Apparel or until their successors are duly elected and qualified. Each director is a citizen of the United States. There are no family relationships among the directors and the executive officers of Delta Apparel.

<TABLE>

<CAPTION>

NAME AND AGE <S>	PRINCIPAL OCCUPATION <C>	DIRECTOR SINCE <C>
William F. Garrett (59)	President of Delta Mills Marketing Company, a division of a subsidiary of Delta Woodside (2)	1998(1)
C. C. Guy (67)	Retired Businessman Shelby, North Carolina (3) (10) (11)	1984(1)
Robert W. Humphreys (42)	President and Chief Executive Officer of Delta Apparel (4)	1999
Dr. James F. Kane (68)	Dean Emeritus of the College of Business Administration of the University of South Carolina Columbia, South Carolina (5)(10)(11)(12)	1986(1)
Dr. Max Lennon (59)	President of Mars Hill College Mars Hill, North Carolina (6)(10)(11)(12)	1986(1)
E. Erwin Maddrey, II (59)	President and Chief Executive Officer of Delta Woodside; Chairman of the Board of Delta Apparel (7)	1984(1)
Buck A. Mickel (44)	President and Chief Executive Officer of RSI Holdings, Inc. Greenville, South Carolina (8) (11)	1984(1)
Bettis C. Rainsford (48)	President of The Rainsford Development Corporation Edgefield, South Carolina (9)	1984(1)

<FN>

(1) Includes service as a director of Delta Woodside and Delta Woodside's predecessor by merger, Delta Woodside Industries, Inc., a Delaware corporation (which this documents refers to as "Old Delta Woodside"), or any predecessor company to Old Delta Woodside.

(2) William F. Garrett served as a divisional Vice President of J. P. Stevens & Company, Inc. from 1982 to 1984, and as a divisional President of J. P. Stevens & Company, Inc. from 1984 until 1986, at which time the Delta Mills Marketing Company division was acquired by a predecessor of Old Delta Woodside.

From 1986 until the present he has served as the President of Delta Mills Marketing Company, a division of a subsidiary of Delta Woodside. Upon consummation of the Delta Apparel distribution, Mr. Garrett will become President and Chief Executive Officer of Delta Woodside. Mr. Garrett also serves as a director of Delta Woodside and Duck Head.

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(3) C. C. Guy served as Chairman of the Board of Old Delta Woodside or its predecessors from the founding of Old Delta Woodside's predecessors in 1984 until November 1989. Since before the November 15, 1989 merger (which this document refers to as the "RSI Merger") of Old Delta Woodside into RSI Corporation, a South Carolina corporation which changed its name to Delta Woodside Industries, Inc. and is now Delta Woodside, he has been a director of RSI Holdings, Inc., and from before the RSI Merger until January 1995 he also served as President of RSI Holdings, Inc. RSI Holdings, Inc. until 1992 was engaged in the sale of outdoor power equipment, until 1994 was engaged in the sale of turf care products, until January 2000 was engaged in the consumer finance business and is currently evaluating other business opportunities. Prior to November 15, 1989, RSI Holdings, Inc. was a subsidiary of RSI Corporation. Mr. Guy served from October 1979 until November 1989 as President, Treasurer and a director of RSI Corporation. Prior to the RSI Merger, RSI Corporation owned approximately 40% of the outstanding shares of common stock of Old Delta Woodside and, among other matters, was engaged in the office supply business, as well as the businesses of selling outdoor power equipment and turf care products. Mr. Guy also serves as a director of Delta Woodside and Duck Head.

(4) Robert W. Humphreys was elected President and Chief Executive Officer of Delta Apparel in December 1999. He was elected President of the Delta Apparel Company division of a subsidiary of Delta Woodside in April 1999. He served as Vice President-Finance and Assistant Secretary of Delta Woodside from May 1998 to November 1999. From January 1987 to May 1998, Mr. Humphreys was President of Stevcoknit Fabrics Company, the knit fabrics division of a subsidiary of Delta Woodside.

(5) Dr. James F. Kane is Dean Emeritus of the College of Business Administration of the University of South Carolina, having retired in 1993 as Dean, in which capacity he had served since 1967. He also serves as a director of Delta Woodside, Duck Head and Glassmaster Company.

(6) Dr. Max Lennon was President of Clemson University from March 1986 until August 1994. He was President and Chief Executive Officer of Eastern Foods, Inc., which was engaged in the business of manufacturing and distributing food products, from August 1994 until March 1996. He commenced service in March 1996 as President of Mars Hill College. He also serves as a director of Delta Woodside, Duck Head and Duke Power Company.

(7) E. Erwin Maddrey, II was President and Chief Executive Officer of Old Delta Woodside or its predecessors from the founding of Old Delta Woodside's predecessors in 1984 until the RSI Merger and he has served in these positions with Delta Woodside since the RSI Merger. Upon consummation of the Delta Apparel distribution, Mr. Maddrey will retire from his officer positions with Delta Woodside. He also serves as a director of Delta Woodside, Duck Head and Kemet Corporation.

(8) Buck A. Mickel was a Vice President of Old Delta Woodside or its predecessors from the founding of Old Delta Woodside's predecessors until November 1989, Secretary of Old Delta Woodside from November 1986 to March 1987, and Assistant Secretary of Old Delta Woodside from March 1987 to November 1988. He served as Vice President and a director of RSI Holdings, Inc. from before the RSI Merger until January 1995 and as Vice President of RSI Holdings, Inc. from September 1996 until July 1998 and has served as President, Chief Executive Officer and a director of RSI Holdings, Inc. from July 1998 to the present. He served as Vice President of RSI Corporation from October 1983 until November 1989. Mr. Mickel also serves as a director of Delta Woodside and Duck Head.

(9) Bettis C. Rainsford was Executive Vice President and Chief Financial Officer of Old Delta Woodside or its predecessors from the founding of Old Delta Woodside's predecessors in 1984 until the RSI Merger and served in these positions with Delta Woodside from the RSI Merger until October 1, 1999. Mr. Rainsford served as Treasurer of Old Delta Woodside or its predecessors or Delta Woodside from 1984 to 1986, from August 1988 to November 1988 and from November 1990 to October 1, 1999. He is President of The Rainsford Development Corporation which is engaged in general business development activities in

Edgefield, South Carolina. Mr. Rainsford also serves as a director of Delta Woodside, Duck Head and Martin Color-Fi, Inc. and is a member of the managing entity of Mount Vintage Plantation Golf Club, LLC.

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- (10) Member of Audit Committee.
- (11) Member of Compensation Committee.
- (12) Member of Compensation Grants Committee.

</TABLE>

EXECUTIVE OFFICERS

The following provides information regarding the executive officers of Delta Apparel.

Name and Age -----	Position -----
Robert W. Humphreys (42)	President and Chief Executive Officer (1)
Herbert M. Mueller(42)	Vice President, Chief Financial Officer and Treasurer (2)
Marjorie F. Rupp (48)	Vice President and Secretary (3)
-----	

(1) See information under the subheading "Directors".

(2) Herbert M. Mueller was elected to serve as Vice President, Chief Financial Officer and Treasurer of Delta Apparel in December 1999. He was elected to serve as Vice President of the Delta Apparel Company division in April 1998. Prior to joining the Delta Apparel Company division, Mr. Mueller served as Corporate Controller (from June 1991 to June 1997 and from October 1997 to April 1998) and Senior Director of Business Planning (from July 1997 to October 1997) of Swift Denim, a manufacturer of denim fabric.

(3) Marjorie F. Rupp was elected Vice President and Secretary of Delta Apparel in December 1999. She was elected to serve as Vice President of Human Resources of the Delta Apparel Company division in July 1998. She served as Director of Human Resources for the Delta Apparel Company division from May 1992 until July 1998.

Delta Apparel's executive officers are appointed by Delta Apparel's board of directors and serve at the pleasure of the Board.

MANAGEMENT COMPENSATION

Summary Compensation Table  
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The following table sets forth information for the fiscal year ended July 3, 1999 respecting the compensation earned by Delta Apparel's current Chief Executive Officer and by the other current executive officer of Delta Apparel who earned salary and bonus in fiscal 1999 from Delta Woodside or any of its subsidiaries in excess of \$100,000 (whom this document refers to collectively as the "Named Executives"). Except as described in the notes to the table with respect to Robert W. Humphreys, each individual listed in the table worked exclusively for the Delta Apparel Company division during fiscal year 1999 to the extent that individual was employed during that period by any member of the Delta Woodside group of corporations.

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<TABLE>  
<CAPTION>

SUMMARY COMPENSATION TABLE

Annual Compensation -----	Long-Term ----- Compensation ----- Awards
------------------------------	---

Name and Principal Position	Fiscal Year	Salary (\$) (a)	Bonus (\$) (a) (b)	Other Annual Compensation (\$) (c)	Securities Underlying Options (#) (d)	All Other Compensation (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Robert W. Humphreys. . . . . President and Chief Executive Officer, Delta Apparel division(e)	1999	223,077	94,286	14,715	0	543,449 (f)(g)
Herbert M. Mueller . . . . . Vice President Delta Apparel Division	1999	140,000	23,080	3,880	0	372 (f)(h)
<FN>						

(a) The amounts shown in the column include sums the receipt of which has been deferred pursuant to the Delta Woodside Savings and Investment Plan (the "Delta Woodside 401(k) Plan") or the Delta Woodside deferred compensation plan.

(b) Amounts in this column are cash bonuses paid to reward performance.

(c) The amounts in this column were paid by Delta Woodside in connection with the vesting of awards under the Delta Woodside Incentive Stock Award Plan and were in each case approximately sufficient, after the payment of all applicable income taxes, to pay the participant's federal and state income taxes attributable to the vesting of the award.

(d) For purposes of this table, awards under the Delta Woodside Incentive Stock Award Plan are treated as options.

(e) This was Mr. Humphreys' principal position with Delta Apparel during fiscal 1999. Mr. Humphreys became the President and chief executive officer of Delta Apparel in April 1999. The compensation information provided for Mr. Humphreys includes all compensation earned by him in fiscal 1999 in whatever capacity from Delta Woodside and its subsidiaries. For a description of the compensation that Delta Woodside has agreed to pay Mr. Humphreys for his service as President and chief executive officer of Delta Apparel, see the material under the sub-heading below, "Robert W. Humphreys Employment Contract". Delta Apparel will assume Delta Woodside's obligations under this agreement in connection with the Delta Apparel distribution.

(f) The Delta Woodside 401(k) Plan allocation shown for the fiscal year was allocated to the participant's account during that fiscal year, although all or part of the allocation may have been determined in whole or in part on the basis of the participant's compensation during the prior fiscal year.

(g) The fiscal 1999 amount represents \$666 Delta Woodside contribution allocated to Mr. Humphrey's account in the Delta Woodside 401(k) Plan, \$375 contributed by Delta Woodside to Delta Woodside's deferred compensation plan as payment for the amount of Delta Woodside contributions to the Delta Woodside 401(k) Plan for fiscal year 1998 that were not made for Mr. Humphreys because of Internal Revenue Code contribution limitations, \$2,729 contributed by Delta Woodside to the Delta Woodside 401(k) Plan for Mr. Humphreys with respect to his compensation deferred under the Delta Woodside 401(k) Plan, \$137,241 received as a bonus relating to the period while he was President of Stevcoknit Fabrics Company (a division of a subsidiary of Delta Woodside), \$2,438 earned on Mr. Humphreys' deferred compensation at a rate in excess of 120% of the Federal mid-term rate and \$400,000 paid in connection with his undertaking the position of President and chief executive officer of the Delta Apparel Company division.

(h) Represents the Delta Woodside contribution allocated to Mr. Mueller's account in the Delta Woodside 401(k) Plan.

</TABLE>

Aggregated Option Exercises Last Fiscal Year and Fiscal Year-End Option  
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Values  
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The following table provides information respecting the exercise by any Named Executive during fiscal 1999 of awards granted under Delta Woodside's Incentive Stock Award Plan and options granted under Delta Woodside's Stock Option Plan, and the fiscal year end value of any unexercised outstanding awards and options. For purposes of this table, awards under Delta Woodside's Incentive Stock Award Plan are treated as options.

<TABLE>  
<CAPTION>

AGGREGATED OPTION EXERCISES IN LAST  
FISCAL YEAR AND FY-END OPTION VALUES

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number Of Securities Underlying Unexercised Options At FY-End (#)		Value Of Unexercised In-The-Money Options At FY-End (\$)(a)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S> Robert W. Humphreys	<C> 3,000	<C> 17,784	<C> 22,875	<C> 5,625	<C> 78,807	<C> 14,414
Herbert M. Mueller	800	8,622	1,500	4,500	8,906	26,719

<FN>

(a) Based on the closing sales price of \$5.9375 per Delta Woodside share on July 2, 1999.

</TABLE>

Director Compensation

Delta Apparel will pay each current director who is not an officer of Delta Apparel a fee of \$6,667 per year, plus will provide each of these directors approximately \$3,333 annually with which shares of Delta Apparel's common stock will be purchased. These Delta Apparel shares may be newly issued or acquired in the open market for this purpose. Each non-officer director will also be paid \$500 (\$750 for the committee chair) for each committee meeting attended, \$250 for each telephonic board and committee meeting in which the director participates and \$500 for each board meeting attended in addition to 4 quarterly board meetings. Each director will also be reimbursed for reasonable travel expenses in attending each meeting.

Delta Apparel anticipates that any non-officer director subsequently added to the Delta Apparel Board will be paid a fee of \$13,334 per year, plus be provided approximately \$6,666 per year with which shares of Delta Apparel's common stock will be purchased. Each of these additional directors will be paid the same meeting fees as payable to Delta Apparel's current directors. Delta Apparel anticipates that the fees payable to Delta Apparel's existing directors will increase over a five year period to be the same as the fees payable to any additional directors.

Robert W. Humphreys Employment Contract

During fiscal 1999, Delta Woodside's board of directors began to consider strategic alternatives to enhance stockholder value, some of which might have led to a change in control of all or a significant part of Delta Woodside. In order to provide an incentive for certain of Delta Woodside's key executives to remain in Delta Woodside's employ while these alternatives were examined, Delta Woodside entered into severance agreements in December 1998 with, among others, Robert W. Humphreys (President and Chief Executive Officer of Delta Apparel). Pursuant to each of these agreements, Delta Woodside agreed that, if the applicable officer's position were eliminated because of downsizing, restructuring or a change of control between the date of the letter and the end of December 2000, the officer would be paid a severance equal to two years= salary at the time of termination, in addition to the officer's regular severance.

In addition to his positions with Delta Apparel, Robert W. Humphreys served until November 4, 1999 as Vice President-Finance and Assistant Secretary of Delta Woodside. In April 1999, Mr. Humphreys was appointed to the additional position of President and chief executive officer of the Delta Apparel Company division of a subsidiary of Delta Woodside. In connection with this new position, Delta Woodside agreed in an April 1999 letter that (a) Mr. Humphreys' salary is \$300,000 effective with the pay period beginning April 26, 1999, (b) he is guaranteed a bonus of \$300,000 for the 2000 fiscal year if he remains in his new position during that year, (c) for fiscal 1999 he would be on the corporate bonus plan for the first ten months, then at the guaranteed annual \$300,000 rate for the eleventh and twelfth months of fiscal 1999, (d) Delta Woodside will pay his travel and lodging expenses for commuting to the division's headquarters in Duluth, Georgia, (e) if he remains as President and Chief Executive Officer of the Delta Apparel business as a spun-out separate public company (if that spin-off were to occur), he will participate in a Delta Apparel bonus plan commencing with the 2001 fiscal year and he will be granted options under a Delta Apparel performance based stock option plan for shares equal to approximately five percent of the post-spin-off outstanding shares of Delta Apparel, (f) the December 1998 severance agreement was modified to provide that the two years' severance amount, based on a \$200,000 salary rate, was earned in fiscal 1999 and he would no longer be entitled to Delta Woodside's regular severance and (g) if the restructuring/spin-offs under consideration of the Delta Apparel business and the Duck Head Apparel business do not occur, he will be elected as a member of Delta Woodside's board of directors. Delta Apparel will assume Delta Woodside's obligations under the April 1999 letter in connection with the Delta Apparel distribution.

#### Delta Apparel Stock Option Plan

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Under the Delta Apparel stock option plan, the compensation committee (or, in the case of the Named Executives, the compensation grants committee) of the Delta Apparel board of directors will have the discretion to grant options for up to an aggregate maximum of 500,000 Delta Apparel shares.

The purpose of the Delta Apparel option plan is to promote the growth and profitability of Delta Apparel and its subsidiaries by increasing the personal participation of key and middle level executives in the performance of Delta Apparel and its subsidiaries, by enabling Delta Apparel and its subsidiaries to attract and retain key and middle level executives of outstanding competence and by providing these key and middle level executives with an equity opportunity in Delta Apparel. The compensation committee (or, in the case of the Named Executives, the compensation grants committee) of the Delta Apparel board of directors will administer the Delta Apparel option plan.

Participation in the Delta Apparel option plan is determined by the applicable committee and is limited to those key and middle level executives, who may or may not be officers or members of the Delta Apparel board of directors, of Delta Apparel or one of its subsidiaries who have the greatest impact on Delta Apparel's long-term performance. In making any determination as

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to the key and middle level executives to whom options will be granted and the number of shares that will be subject to each option, the applicable committee is to take into account, in each case, the level and responsibility of the executive's position, the executive's performance, the executive's level of compensation, the assessed potential of the executive and those other factors that the applicable committee deems relevant to the accomplishment of the purposes of the plan. Directors who are not also employees of Delta Apparel are not eligible to participate in the Delta Apparel option plan. The Delta Apparel option plan provides that no more than 125,000 Delta Apparel shares may be covered by grants made under the plan in any fiscal year to any particular employee.

In the discretion of the applicable committee, options granted under the Delta Apparel option plan may be "incentive stock options" for federal income tax purposes. Delta Apparel is not allowed a deduction at any time in connection with, and the participant is not taxed upon either the grant or the exercise of, an "incentive stock option." The difference between the exercise price of an incentive stock option and the market value of the shares of common stock at the date of exercise, however, constitutes a tax preference item for the participant in the year of exercise for alternative minimum tax purposes. Among other requirements, the stock acquired by the participant must be held for

at least two years after the option is granted and for at least one year after the option is exercised for the option to qualify as an incentive stock option. If the participant satisfies these holding period requirements, the participant will be taxed only upon any gain realized upon disposition of the stock. The participant's gain will be equal to the difference between the sales price of the stock and the exercise price. If an incentive stock option is exercised after the death of the employee by the estate of the decedent, or by a person who acquired the right to exercise the option by bequest or inheritance or by reason of the death of the decedent, none of the holding period requirements apply.

If the participant fails to satisfy the holding period requirements, the option will be treated in a manner similar to options that are not incentive stock options. The participant is generally not taxed upon the grant of an option that is not an incentive stock option. Upon exercise of any the option, however, the participant recognizes ordinary income equal to the difference between the fair market value of the shares acquired on the date of exercise and the exercise price. Subject to Section 162(m) of the Internal Revenue Code (relating to limitations on corporate income tax deduction of certain executive compensation in excess of \$1 million), generally Delta Apparel receives a deduction for the amount the participant reports as ordinary income arising from the exercise of the option. Upon a subsequent sale or disposition of the stock, the holder would be taxable on any excess of the selling price over the fair market value of the stock at the date of exercise. If the participant fails to satisfy the holding period requirements with respect to an option that would otherwise qualify as an incentive stock option, (i) ordinary income to the participant and, subject to Section 162(m) of the Internal Revenue Code, the deduction for Delta Apparel will arise at the time of the early disposition of the stock and will equal the excess of (a) the lower of the fair market value of the shares at the time of exercise or the sales price of the shares at the time of disposition over (b) the exercise price, and (ii) if the sales price of the stock at the time of the early disposition exceeds the fair market value of the shares at the time of exercise, the participant will also recognize capital gain income equal to that excess.

Delta Apparel will attempt, to the maximum extent possible, to structure grants under the Delta Apparel option plan to the Named Executives in a manner that satisfies the deductibility requirements of Section 162(m) of the Internal Revenue Code.

The term of each option will be established by the applicable committee, but will not exceed ten years (or five years in the case of an incentive stock option recipient who owns stock having more than ten percent of the total combined voting power of all classes of stock of Delta Apparel), and the option will be exercisable according to the schedule that the applicable committee may determine. The recipient of an option will not pay Delta Apparel any amount at the time the option is granted. If an option expires or terminates for any reason without having been fully exercised, the unpurchased shares subject to the option will again be available for the purposes of the Delta Apparel option plan.

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Under the Delta Apparel option plan, the applicable committee determines the period of time (up to three months), if any, during which an option may be exercised after the participant's termination of employment with Delta Apparel. However, if a participant dies while in the employ of Delta Apparel or (if so determined by the applicable committee at the date of grant) within three-months after termination of employment or if a participant's employment is terminated by reason of having become permanently and totally disabled, the option may be exercised during the one-year period after the participant's death or termination of employment due to disability. In no event, however, may an option be exercised after the expiration of its fixed term.

The price per share at which each option granted under the Delta Apparel option plan may be exercised will be the price set by the applicable committee at the time of grant based on the criteria adopted by the applicable committee in good faith; provided, however, in the case of an option intended to qualify as an incentive stock option, the price per share will not be less than the fair market value of the stock at the time the option is granted (or 110% of fair market value if the recipient of an incentive stock option owns stock having more than ten percent of the total combined voting power of all classes of stock of Delta Apparel). The Delta Apparel option plan provides that in no event will the exercise price per share of an option be less than 50% of the fair market value per share of Delta Apparel's common stock on the date of the option grant.



Options may be exercised by the participant tendering to Delta Apparel payment in cash in full of the exercise price for the shares as to which the option is exercised. The applicable committee may determine at the time of grant that the recipient will be permitted to pay the exercise price in Delta Apparel shares rather than in cash.

The Delta Apparel option plan may be terminated or amended by the board of directors (or committee of the Board), except that stockholder approval would be required in the event an amendment were to increase the number of Delta Apparel shares issuable under the plan (other than an increase pursuant to the antidilution provisions of the plan).

The Delta Apparel option plan provides that it will terminate on the close of business on February 14, 2010, and no options will be granted under the plan thereafter, but termination will not affect any option granted under the plan before the termination date.

As described in "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Receipt of Delta Apparel Stock Options and Delta Apparel Incentive Stock Awards", the compensation grants committee or the compensation committee of the Delta Apparel board of directors currently expects to grant, within the first six months after the Delta Apparel distribution, stock options under the Delta Apparel option plan to the executive officers of Delta Apparel.

#### Delta Apparel Incentive Stock Award Plan

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Under the Delta Apparel incentive stock award plan, the compensation committee (or, in the case of the Named Executives, the compensation grants committee) of the Delta Apparel board of directors has the discretion to grant awards for up to an aggregate maximum of 200,000 Delta Apparel shares.

The purposes of the Delta Apparel incentive stock award plan are to establish or increase the equitable ownership in Delta Apparel by key and middle level management employees of Delta Apparel and its subsidiaries and to provide incentives to key and middle level management employees of the Delta Apparel and its subsidiaries through the prospect of stock ownership.

The Delta Apparel incentive stock award plan authorizes the applicable committee to grant to officers or other key management employees or middle level management employees of Delta Apparel or any of its subsidiaries rights to acquire Delta Apparel shares at a cash purchase price of \$.01 per share. Awards may be made to reward past performance or to induce exceptional future performance. The applicable committee will administer the Delta Apparel incentive stock award plan and determine the officers or key or middle level management employees to whom awards will be granted and the number of shares to be covered by any award. Directors who are not also employees are not eligible to participate in the plan. The Delta Apparel incentive stock award plan provides that no more than 20,000 Delta Apparel shares may be covered by awards granted under the plan in any fiscal year to any particular employee.

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A participant may receive an incentive stock award only upon execution of an incentive stock award agreement with Delta Apparel. The incentive stock award agreement sets forth the circumstances under which the award (or portion of the award) is forfeited. These circumstances may include (i) the termination of employment of the participant with Delta Apparel or any of its subsidiaries, for any reason other than death, retirement or permanent total disability, prior to the vesting date for the award (or portion of the award), and (ii) those additional circumstances (which could include the failure by Delta Apparel to meet specified performance criteria) that may be deemed appropriate by the applicable committee. The forfeiture circumstances may vary among the shares covered by an award. In the event an award (or portion of the award) is forfeited pursuant to the terms of the applicable incentive stock award agreement, the participant will immediately have no further rights under the award (or portion of the award) or in the shares covered thereby, and the shares will again become available for purposes of the Delta Apparel incentive stock award plan.

Each incentive stock award agreement sets forth the circumstances under which the award (or portion of the award) will vest. These circumstances may include (i) the participant being an employee with Delta Apparel or any subsidiary on the date set forth in the incentive stock award agreement and (ii)

those additional circumstances (which could include Delta Apparel having met specified performance criteria) that may be deemed appropriate by the applicable committee. The vesting circumstances may vary among the shares covered by an award. In the event an award (or portion of the award) vests pursuant to the terms of the applicable incentive stock award agreement, Delta Apparel will issue and deliver, or cause to be issued and delivered, to the participant or his or her legal representative, certificate(s) for the number of shares covered by the vested portion of the award, subject to receipt by Delta Apparel of the \$.01 per share cash purchase price.

The recipient of an award will not pay Delta Apparel any amount at the time of the receipt of the award. Ordinarily, the holder of an award will realize taxable income, for federal income tax purposes, when the award (or portion of the award) vests in an amount equal to the excess of the fair market value of the covered shares on the date the award (or portion of the award) vests over the \$.01 per share cash purchase price. At the same time, subject to Section 162(m) of the Internal Revenue Code, Delta Apparel should generally be allowed a tax deduction equivalent to the holder's taxable income arising from that vesting. The Delta Apparel incentive stock award plan provides that, at or about the time the award (or portion of the award) vests, Delta Apparel will pay the participant cash sufficient to pay the participant's income tax liability associated with the vesting and receipt of that cash. This cash payment would be taxable as income to the participant and, subject to Section 162(m), generally deductible by Delta Apparel.

The portion of any Delta Apparel incentive stock award that vests based on a participant being an employee at specified dates will not satisfy the requirements of Section 162(m) of the Internal Revenue Code. Delta Apparel will attempt, however, to the maximum extent possible, to structure the portion of incentive stock awards made to the Named Executives that vests in accordance with performance criteria in a manner that satisfies the deductibility requirements of Section 162(m). Delta Apparel anticipates that all compensation payable pursuant to the plan will be deductible by Delta Apparel because no named executive is expected to receive in any fiscal year aggregate compensation that counts against the Section 162(m) cap in excess of \$1 million.

Until the issuance and delivery to the participant of certificate(s) for shares pursuant to the vesting of an award, the participant has none of the rights of a stockholder with respect to those shares.

The Delta Apparel incentive stock award plan provides that the board of directors (or committee of the Board) may terminate or amend the plan, except that stockholder approval is required in the event any amendment would increase the total number of Delta Apparel shares covered by the plan (except in connection with the antidilution provisions of the plan).

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As described in "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Receipt of Delta Apparel Stock Options and Delta Apparel Incentive Stock Awards", the compensation grants committee or the compensation committee of the Delta Apparel board of directors currently expects to grant, within the first six months after the Delta Apparel distribution, incentive stock awards to the executive officers of Delta Apparel.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following directors will serve on the Compensation Committee of Delta Apparel's board of directors: C.C. Guy, Dr. James F. Kane, Dr. Max Lennon and Buck A. Mickel.

The following directors will serve on the compensation grants committee of Delta Apparel's board of directors: Dr. James F. Kane and Dr. Max Lennon.

C.C. Guy served as Chairman of the Board of Delta Woodside or its predecessors (and their respective subsidiaries) from the founding of Delta Woodside's predecessors in 1984 until November 1989. Buck A. Mickel was a Vice President of Delta Woodside or its predecessors (and their respective subsidiaries) from the founding of Delta Woodside's predecessors until November 1989, Secretary of Delta Woodside or its predecessors (and their respective subsidiaries) from November 1986 to March 1987, and Assistant Secretary of Delta Woodside or its predecessors (and their respective subsidiaries) from March 1987 to November 1988.

## SECURITY OWNERSHIP OF SIGNIFICANT BENEFICIAL OWNERS AND MANAGEMENT

Based on the beneficial ownership of Delta Woodside shares as of March 3, 2000, the following table sets forth what the beneficial ownership of Delta Apparel's common stock would be immediately following the Delta Apparel distribution by (i) any person that would beneficially own more than five percent of the outstanding common stock of Delta Apparel, (ii) the directors of Delta Apparel, (iii) the Named Executives of Delta Apparel, and (iv) all directors and executive officers of Delta Apparel as a group. Unless otherwise stated in the notes to the table, Delta Apparel believes that the persons named in the table would have sole voting and investment power with respect to all shares of common stock of Delta Apparel shown as beneficially owned by them. On March 3, 2000, 23,307,645 Delta Woodside shares were outstanding, corresponding to 2,330,764 Delta Apparel shares. The table does not include Delta Apparel shares that would be covered by stock options that may be granted under Delta Apparel's stock option plan or incentive stock awards that may be granted under Delta Apparel's incentive stock award plan. See "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Receipt of Delta Apparel Stock Options and Delta Apparel Incentive Stock Awards".

<TABLE>  
<CAPTION>

Beneficial Owner	Shares	
	Beneficially Owned	Percentage
<S>	<C>	<C>
Reich & Tang Asset Management L. P. (1) 600 Fifth Avenue New York, New York 10020	317,060	13.6%
Franklin Resources, Inc. (2) Franklin Advisory Services, LLC Charles B. Johnson Rupert H. Johnson, Jr. 777 Mariners Island Boulevard San Mateo, California 94404	224,000	9.6%
Dimensional Fund Advisors Inc. (3) 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	195,322	8.4%
E. Erwin Maddrey, II (4)(20) 233 North Main Street Suite 200 Greenville, SC 29601	347,593	14.8%
Bettis C. Rainsford (5)(20) 108-1/2 Courthouse Square Post Office Box 388 Edgefield, SC 29824	334,220	14.2%
Buck A. Mickel (6) (7)(20) Post Office Box 6721 Greenville, SC 29606	158,743	6.8%
Micco Corporation (7) Post Office Box 795 Greenville, SC 29602	124,063	5.3%
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Minor H. Mickel (7) (8)(20) 415 Crescent Avenue Greenville, SC 29605	157,804	6.8%
Minor M. Shaw (7) (9) Post Office Box 795 Greenville, SC 29602	152,008	6.5%
Charles C. Mickel (7) (10)	149,694	6.4%

Post Office Box 6721  
Greenville, SC 29606

William F. Garrett (11)(20)	27,173	1.2%
C. C. Guy (12)(20)	3,849	(19)
Robert W. Humphreys (13)(20)	8,997	(19)
Dr. James F. Kane (14)(20)	4,055	(19)
Dr. Max Lennon (15)(20)	2,882	(19)
Herbert M. Mueller (16)	796	(19)
Marjorie F. Rupp (17)	711	(19)
All current directors and executive officers as a group (10 Persons)(18)(20) <FN>	888,020	37.2%

(1) This information is based on an amendment dated February 14, 2000 to Schedule 13G that was filed with the Securities and Exchange Commission by Reich & Tang Asset Management L. P. (which this document refers to as "Reich & Tang") with respect to Delta Woodside's common stock. In the amendment, Reich & Tang reported that, with respect to Delta Woodside's common stock, it had shared voting power and shared dispositive power with respect to all of the shares shown. The amendment reported that the shares of Delta Woodside's common stock were held on behalf of certain accounts for which Reich & Tang provides investment advice and as to which Reich & Tang has full voting and dispositive power for as long as it retains management of the assets. According to the amendment, each account has the right to receive and the power to direct the receipt of dividends from, or the proceeds from the sale of, the Delta Woodside shares. The amendment reported that none of such accounts has an interest with respect to more than 5% of the outstanding shares of Delta Woodside's common stock.

(2) This information is based on an amendment dated January 19, 2000 to Schedule 13G that was filed with the Securities and Exchange Commission by Franklin Resources, Inc. (which this document refers to as "FRI") with respect to Delta Woodside's common stock. In the amendment, FRI reported that, with respect to Delta Woodside's common stock, the shares shown in the table above were beneficially owned by one or more investment companies or other managed accounts that are advised by one or more direct and indirect investment advisory subsidiaries of FRI. The amendment reported that the advisory contracts grant to the applicable investment advisory subsidiary(ies) all investment and/or voting power over the securities owned by their investment advisory clients.

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Accordingly, such subsidiary(ies) may be deemed to be the beneficial owner of the shares shown in the table. The amendment reported that Charles B. Johnson and Rupert H. Johnson, Jr. (whom this document refers to as the "FRI Principal Shareholders") (each of whom has the same business address as FRI) each own in excess of 10% of the outstanding common stock and are the principal shareholders of FRI and may be deemed to be the beneficial owners of securities held by persons and entities advised by FRI subsidiaries. The amendment reported that one of the investment advisory subsidiaries, Franklin Advisory Services, LLC (whose address is One Parker Plaza, Sixteenth Floor, Fort Lee, New Jersey 07024), has sole voting and dispositive power with respect to all of the shares shown. FRI, the FRI Principal Shareholders and the investment advisory subsidiaries disclaim any economic interest or beneficial ownership in the shares shown in the table above and are of the view that they are not acting as a "group" for purposes of the Securities Exchange Act of 1934, as amended. The amendment reported that Franklin Balance Sheet Investment Fund, a series of Franklin Value Investors Trust, a company registered under the Investment Company Act of 1940, has an interest in more than 5% of the class of securities reported in the amendment.

(3) This information is based on an amendment to Schedule 13G dated February 4, 2000 that was filed with the Securities and Exchange Commission by Dimensional Fund Advisors Inc. (which this document refers to as "Dimensional") with respect to Delta Woodside's common stock. Dimensional reported that it had sole voting power and sole dispositive power with respect to all of the shares shown. The amendment reports that Dimensional furnishes investment advice to

four investment companies and serves as investment manager to certain other commingled group trusts and separate accounts, that all of the shares of Delta Woodside's common stock were owned by such investment companies, trusts or accounts, that in its role as investment adviser or manager Dimensional possesses voting and/or investment power over the Delta Woodside shares reported, that Dimensional disclaims beneficial ownership of such securities and that, to the knowledge of Dimensional, no such investment company, trust or account client owned more than 5% of the outstanding shares of Delta Woodside's common stock.

(4) Mr. Maddrey is a director of Delta Apparel. He is the President and Chief Executive Officer (from which officer positions he will resign in connection with the Delta Apparel distribution and the Duck Head distribution) and a director of Delta Woodside and a director of Duck Head. The number of shares shown as beneficially owned by Mr. Maddrey includes approximately 33,493 Delta Woodside shares (3,349 Delta Apparel shares) allocated to Mr. Maddrey's account in Delta Woodside's Employee Stock Purchase Plan, 431,470 Delta Woodside shares (43,147 Delta Apparel shares) held by the E. Erwin and Nancy B. Maddrey, II Foundation, a charitable trust, as to which shares Mr. Maddrey holds sole voting and investment power but disclaims beneficial ownership, and approximately 1,074 Delta Woodside shares (107 Delta Apparel shares) allocated to the account of Mr. Maddrey in the Delta Woodside 401(k) Plan. Mr. Maddrey is fully vested in the shares allocated to his account in the Delta Woodside 401(k) Plan.

(5) Mr. Rainsford is a director of Delta Apparel. He is also a director of Delta Woodside and Duck Head. The number of shares shown as beneficially owned by Mr. Rainsford includes 47,945 Delta Woodside shares (4,794 Delta Apparel shares) held by The Edgefield County Foundation, a charitable trust, as to which shares Mr. Rainsford holds sole voting and investment power but disclaims beneficial ownership, and approximately 167 Delta Woodside shares (16 Delta Apparel shares) allocated to the account of Mr. Rainsford in the Delta Woodside 401(k) Plan. Mr. Rainsford is fully vested in the shares allocated to his account in the Delta Woodside 401(k) Plan.

On December 14, 1999, Mr. Rainsford filed an amendment to his Schedule 13D in which he stated that he was filing the amendment to disclose the fact that he is considering the possibility of making an offer to purchase those Delta Woodside shares that he does not currently own. The amendment stated that the terms and financing for any such offer have not yet been established by Mr. Rainsford. The amendment stated that Mr. Rainsford was considering making this offer because of his strong disagreement with the recently announced decision by the Delta Woodside board of directors to spin-off Duck Head Apparel Company and Delta Apparel Company. The amendment stated that Mr. Rainsford has significant concerns regarding the tax ramifications to Delta Woodside's shareholders of the recently announced spin-offs as well as significant concerns regarding the value and liquidity of the spun-off shares after the spin-off. The amendment stated that Mr. Rainsford strongly objected to the adoption on December 9, 1999 by the Delta Woodside board of directors of new Bylaws containing anti-takeover

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provisions and an anti-takeover Shareholder Rights Plan. The amendment stated that, in his capacity as an officer, director and significant shareholder of Delta Woodside, Mr. Rainsford has discussed and proposed a variety of alternatives as to how best to restructure Delta Woodside. The amendment stated that, if certain alternatives proposed by Mr. Rainsford were pursued and consummated, such a transaction could result in a substantial change in Delta Woodside's corporate organization and operations, including particularly the possible sale of the Duck Head Apparel Company and/or the Delta Apparel Company divisions. The amendment stated that Mr. Rainsford may modify or change his intentions based upon developments in Delta Woodside's business, discussions with Delta Woodside, actions of management or a change in market or other conditions or other factors. The amendment stated that Mr. Rainsford will continually consider modifications of his position, or may take other steps, change his intentions, or trade in Delta Woodside's securities at any time, or from time to time.

(6) Buck A. Mickel is a director of Delta Apparel. He is also a director of Delta Woodside and Duck Head. The number of shares shown as beneficially owned by Buck A. Mickel includes 330,851 Delta Woodside shares (33,085 Delta Apparel shares) directly owned by him, all of the 1,240,634 Delta Woodside shares (124,063 Delta Apparel shares) owned by Micco Corporation, and 2,871 Delta Woodside shares (287 Delta Apparel shares) held by him as custodian for a minor. See Note (7).

(7) Micco Corporation owns 1,240,634 shares of Delta Woodside's common stock (124,063 Delta Apparel shares). The shares of common stock of Micco Corporation are owned in equal parts by Minor H. Mickel, Buck A. Mickel (a director of Delta Apparel), Minor M. Shaw and Charles C. Mickel. Buck A. Mickel, Minor M. Shaw and Charles C. Mickel are the children of Minor H. Mickel. Minor H. Mickel, Buck A. Mickel, Minor M. Shaw and Charles C. Mickel are officers and directors of Micco Corporation. Each of Minor H. Mickel, Buck A. Mickel, Minor M. Shaw and Charles C. Mickel disclaims beneficial ownership of three quarters of the shares of Delta Woodside's common stock and Delta Apparel shares owned by Micco Corporation. Minor H. Mickel directly owns 116,854 shares of Delta Woodside's common stock (11,685 Delta Apparel shares) and as personal representative of her husband's estate owns 207,750 shares of Delta Woodside's common stock (20,775 Delta Apparel shares). Buck A. Mickel, directly or as custodian for a minor, owns 333,722 shares of Delta Woodside's common stock (33,372 Delta Apparel shares). Charles C. Mickel, directly or as custodian for his children, owns 256,210 shares of Delta Woodside's common stock (25,621 Delta Apparel shares). Minor M. Shaw, directly or as custodian for her children, owns 264,978 shares of Delta Woodside's common stock (26,497 Delta Apparel shares). Minor M. Shaw's husband, through an individual retirement account and as custodian for their children, beneficially owns approximately 14,474 shares of Delta Woodside's common stock (1,447 Delta Apparel shares), as to which shares Minor M. Shaw may also be deemed a beneficial owner. Minor M. Shaw disclaims beneficial ownership with respect to these shares and with respect to the 2,748 shares of Delta Woodside's common stock (274 Delta Apparel shares) held by her as custodian for her children. The spouse of Charles C. Mickel owns 100 shares of Delta Woodside's common stock (10 Delta Apparel shares), as to which shares Charles C. Mickel may also be deemed a beneficial owner. Charles C. Mickel disclaims beneficial ownership with respect to these shares and with respect to the 3,510 shares of Delta Woodside's common stock (351 Delta Apparel shares) held by him as custodian for his children. Buck A. Mickel disclaims beneficial ownership with respect to the 2,871 shares of Delta Woodside's common stock (287 Delta Apparel shares) held by him as custodian for a minor.

(8) The number of shares shown as beneficially owned by Minor H. Mickel includes 116,854 Delta Woodside shares (11,685 Delta Apparel shares) directly owned by her, 207,750 Delta Woodside shares (20,775 Delta Apparel shares) owned by her as personal representative of her husband's estate and all of the 1,240,634 Delta Woodside shares (124,063 Delta Apparel shares) owned by Micco Corporation. See Note (7).

(9) The number of shares shown as beneficially owned by Minor M. Shaw includes 264,978 Delta Woodside shares (26,497 Delta Apparel shares) owned by her directly or as custodian for her children, approximately 14,474 Delta Woodside shares (1,447 Delta Apparel shares) beneficially owned by her husband through an individual retirement account or as custodian for their children, and all of the 1,240,634 Delta Woodside shares (124,063 Delta Apparel shares) owned by Micco Corporation. See Note (7).

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(10) The number of shares shown as beneficially owned by Charles C. Mickel includes 256,210 Delta Woodside shares (25,621 Delta Apparel shares) owned by him directly or as custodian for his children, 100 Delta Woodside shares (10 Delta Apparel shares) owned by his wife and all of the 1,240,634 Delta Woodside shares (124,063 Delta Apparel shares) owned by Micco Corporation. See Note (7).

(11) William F. Garrett is a director of Delta Apparel. He is also a director of Delta Woodside and Duck Head. The number of shares shown as beneficially owned by Mr. Garrett includes approximately 598 Delta Woodside shares (59 Delta Apparel shares) that are held in two dividend reinvestment accounts, one of which has approximately 78 Delta Woodside shares (7 Delta Apparel shares) and is registered in the names of William Garrett and Ann Garrett, though Mr. Garrett has sole voting and dispositive power of these shares. It also includes approximately 2,088 Delta Woodside shares (208 Delta Apparel shares) allocated to Mr. Garrett's account in the Delta Woodside 401(k) Plan. Mr. Garrett is fully vested in the shares allocated to his account in the Delta Woodside 401(k) Plan. The number of shares shown in the table includes an aggregate of 95,000 unissued Delta Woodside shares (9,500 Delta Apparel shares) subject to employee stock options under Delta Woodside's stock option plan. Not all of these options will become exercisable within 60 days or less under the current provisions of the Delta Woodside stock option plan and the pertinent grants; however, it is expected that Mr. Garrett will enter into an amendment to his options pursuant to which all of his options will become exercisable prior to the Delta Apparel distribution, and it is likely that such an amendment would

become effective within the next 60 days. Consequently, all of Mr. Garrett's outstanding options are included in the table. See, "Interests of Directors and Executive Officers in the Delta Apparel Distribution -- Early Exercisability of Delta Woodside Stock Options."

(12) C. C. Guy is a director of Delta Apparel. He is also a director of Delta Woodside and Duck Head. The number of shares shown as beneficially owned by C. C. Guy includes 18,968 Delta Woodside shares (1,896 Delta Apparel shares) owned by his wife, as to which shares Mr. Guy disclaims beneficial ownership.

(13) Robert W. Humphreys is President and Chief Executive Officer and a director of Delta Apparel. The number of shares shown as beneficially owned by Mr. Humphreys includes approximately 1,138 Delta Woodside shares (113 Delta Apparel shares) allocated to Mr. Humphreys' account in the Delta Woodside 401(k) Plan. Mr. Humphreys is fully vested in the shares allocated to his account in the Delta Woodside 401(k) Plan. It also includes approximately 1,752 Delta Woodside shares (175 Delta Apparel shares) allocated to Mr. Humphreys' account in Delta Woodside's employee stock purchase plan. The number of shares shown in the table includes an aggregate of 22,500 unissued Delta Woodside shares (2,250 Delta Apparel shares) subject to employee stock options under Delta Woodside's stock option plan, all of which are currently exercisable.

(14) Dr. James F. Kane is a director of Delta Apparel. He is also a director of Delta Woodside and Duck Head.

(15) Dr. Max Lennon is a director of Delta Apparel. He is also a director of Delta Woodside and Duck Head.

(16) Herbert M. Mueller is Vice President, Chief Financial Officer and Treasurer of Delta Apparel. The number of shares shown as beneficially owned by Mr. Mueller includes approximately 368 Delta Woodside shares (36 Delta Apparel shares) allocated to Mr. Mueller's account in Delta Woodside's employee stock purchase plan. The number of shares shown in the table includes an aggregate of 6,000 unissued Delta Woodside shares (600 Delta Apparel shares) subject to employee stock options under Delta Woodside's stock option plan. Not all of these options will become exercisable within 60 days or less under the current provisions of the Delta Woodside stock option plan and the pertinent grants; however, it is expected that Mr. Mueller will enter into an amendment to his options pursuant to which all of his options will become exercisable prior to the Delta Apparel distribution, and it is likely that this amendment would become effective within the next 60 days. Consequently, all of Mr. Mueller's outstanding options are included in the table. See, "Interests of Directors and Executive Officers in the Delta Apparel Distribution -- Early Exercisability of Delta Woodside Stock Options."

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(17) Marjorie F. Rupp is Vice President and Secretary of Delta Apparel. The number of shares shown as beneficially owned by Ms. Rupp includes an aggregate of 4,000 unissued Delta Woodside shares (400 Delta Apparel shares) subject to employee stock options under Delta Woodside's stock option plan. Not all of these options will become exercisable within 60 days or less under the current provisions of the Delta Woodside stock option plan and the pertinent grants; however, it is expected that Ms. Rupp will enter into an amendment to her options pursuant to which all of her options will become exercisable prior to the Delta Apparel distribution, and it is likely that this amendment would become effective within the next 60 days. Consequently, all of Ms. Rupp's outstanding options are included in the table. See, "Interests of Directors and Executive Officers in the Delta Apparel Distribution -- Early Exercisability of Delta Woodside Stock Options."

(18) Includes all shares deemed to be beneficially owned by any current director or executive officer. Includes 4,467 Delta Woodside shares (446 Delta Apparel shares) of Delta Woodside's common stock held for the executive officers on March 3, 2000 by the Delta Woodside 401(k) Plan. Each participant in the Delta Woodside 401(k) Plan has the right to direct the manner in which the trustee of the Plan votes the shares held by the Delta Woodside 401(k) Plan that are allocated to that participant's account. Except for shares as to which such a direction is made, the shares held by the Delta Woodside 401(k) Plan are not voted. Also includes 2,120 Delta Woodside shares (212 Delta Apparel shares) allocated to directors' and executive officers' accounts in Delta Woodside's employee stock purchase plan. The number of shares shown in the table includes an aggregate of 127,500 unissued Delta Woodside shares (12,750 Delta Apparel shares) subject to employee stock options under Delta Woodside's stock option plan held by directors and executive officers. Not all of these options will

become exercisable within 60 days or less under the current provisions of the Delta Woodside stock option plan and the pertinent grants; however, it is expected that all directors and executive officers with outstanding options will enter into an amendment to their options pursuant to which all of their options will become exercisable prior to the Delta Apparel distribution, and it is likely that such amendments would become effective within the next 60 days. Consequently, all of such persons' outstanding options are included in the table. See, "Interests of Directors and Executive Officers in the Delta Apparel Distribution -- Early Exercisability of Delta Woodside Stock Options."

(19) Less than one percent.

(20) Includes the Delta Apparel shares attributable to the Delta Woodside shares that the Delta Woodside board of directors anticipates paying to certain directors and key executives prior to the record date for the Delta Apparel distribution and the Duck Head distribution, as described under "Interests of Directors and Executive Officers in the Delta Apparel Distribution - Payments in Connection with Delta Apparel Distribution and Duck Head Distribution." The prior notes to the table do not include these Delta Apparel shares.  
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INTERESTS OF DIRECTORS AND EXECUTIVE OFFICERS IN  
THE DELTA APPAREL DISTRIBUTION

One or more executive officers of Delta Apparel and one or more members of the Delta Apparel board of directors will receive economic benefits as a result of the Delta Apparel distribution and the Duck Head distribution and may have other interests in the Delta Apparel distribution and the Duck Head distribution in addition to their interests as Delta Woodside stockholders. Some of these executive officers and directors will also be the beneficial owners of more than 5% of the outstanding shares of common stock of Delta Apparel immediately following the Delta Apparel distribution. See "Security Ownership of Significant Beneficial Owners and Management." The Delta Woodside board of directors was aware of these interests and considered them along with the other matters described above under "The Delta Apparel Distribution -- Background of the Delta Apparel Distribution" and "The Delta Apparel Distribution -- Reasons for the Delta Apparel Distribution."

RECEIPT OF DELTA APPAREL STOCK OPTIONS AND DELTA APPAREL INCENTIVE STOCK AWARDS

The compensation grants committee of the Delta Apparel board of directors anticipates that, during the first six months following the Delta Apparel distribution, grants under the Delta Apparel stock option plan covering an aggregate of approximately 162,500 Delta Apparel shares will be made and awards under the Delta Apparel incentive stock award plan covering an aggregate of approximately 59,200 Delta Apparel shares will be made, including the following anticipated option and award grants to the following executive officers of Delta Apparel:

Name and position -----	Shares Covered by Options(1) -----	Shares Covered by Awards(2) -----
Robert W. Humphreys President and Chief Executive Officer	62,500	20,000
Herbert M. Mueller Vice President, Chief Financial Officer and Treasurer	14,000	6,000
Marjorie F. Rupp Vice President and Secretary	8,000	4,000

(1) The compensation grants committee of the Delta Apparel board of directors anticipates that the stock options will be granted at various dates during the six month period. The exercise price for any option will be the stock's closing market value at the date of grant. The compensation grants committee anticipates that the options will vest over a four year period.

(2) The compensation grants committee of the Delta Apparel board of directors anticipates that 20% of each award will vest at the end of each of fiscal year 2000, fiscal year 2001 and fiscal year 2002 and up to the remaining



40% will vest at the end of fiscal year 2002 to the extent that certain performance criteria based on cumulative earnings before interest and taxes are met.

For a description of the Delta Apparel stock option plan and the Delta Apparel incentive stock award plan and the anticipated treatment under Section 162(m) of the Internal Revenue Code of grants of options and awards under these plans, see "Management of Delta Apparel - Management Compensation."

PAYMENTS IN CONNECTION WITH DELTA APPAREL DISTRIBUTION & DUCK HEAD DISTRIBUTION

In 1997, the Delta Woodside board of directors adopted and the Delta Woodside stockholders approved the Delta Woodside long term incentive plan. Under that plan, grants could have been made to key executives and non-employee directors of Delta Woodside that, depending on the attainment of certain performance measurement goals over a three-year period, might have translated into stock options for Delta Woodside shares being awarded to participants in the plan. No grants complying with the terms of the plan, however, were made, although the individuals who were Delta Woodside's intended participants in the plan, and the target awards for those individuals, were identified.

In consideration of the identified participants giving up any rights they may have under or in connection with the long term incentive plan and in consideration of the efforts of the key executives and directors on behalf of Delta Woodside leading up to the Duck Head distribution and the Delta Apparel distribution, Delta Woodside's board (based on the recommendation of its compensation committee) has decided that, if the Duck Head distribution and the Delta Apparel distribution occur, Delta Woodside shares shall be issued prior to the Delta Apparel and Duck Head record date, in amounts that have been determined by the Board (on the basis of the recommendation of the compensation committee), and cash shall be paid, in amounts that have been determined by the Board (on the basis of the recommendation of the compensation committee), to those individuals who were intended participants in the plan. The table below sets forth the Delta Woodside shares that would thereby be issued and the cash that would thereby be paid to the individuals who are directors or executive officers of Delta Apparel. In determining the number of Delta Woodside shares to be issued to each participant, the Delta Woodside board (and the Delta Woodside compensation committee) used the closing sale price of the Delta Woodside common stock on March 15, 2000 (\$1.50 per share). The Delta Woodside board anticipates that these Delta Woodside shares would be issued and this cash would be paid prior to the record date for the Duck Head distribution and the Delta Apparel distribution.

Name	Delta Woodside Shares(#)	Cash (\$)
William F. Garrett	126,480	116,280
C.C. Guy	13,485	12,398
Robert W. Humphreys	48,360	44,460
Dr. James F. Kane	13,485	12,398
Dr. Max Lennon	13,330	12,255
E. Erwin Maddrey, II	206,667	190,000
Buck A. Mickel	13,072	12,018
Bettis C. Rainsford	148,800	136,800

Shares would also be issued and cash would also be paid to the estate of Buck Mickel (father of Buck A. Mickel), a member of the Delta Woodside board of directors until his death in 1998, who participated in the early stages of that board's strategic planning.

E. Erwin Maddrey, II is a participant in Delta Woodside's severance plan. Upon the termination of Mr. Maddrey's services with Delta Woodside (which is anticipated to occur on or about the time of the Delta Apparel distribution and the Duck Head distribution), Delta Woodside will pay Mr. Maddrey \$147,115 of severance in accordance with the normal provisions of this plan.

EARLY EXERCISABILITY OF DELTA WOODSIDE STOCK OPTIONS

Pursuant to the distribution agreement, Delta Woodside has provided the holders of outstanding options granted under the Delta Woodside stock option plan, whether or not those options were then exercisable, with the opportunity to amend the terms of their Delta Woodside stock options. The amendment offered to each holder provided that:

(i) all unexercisable portions of the holder's Delta Woodside stock options became immediately exercisable in full five (5) business days prior to the Delta Apparel record date, which permitted the holder to exercise all or part of the holder's Delta Woodside stock option prior to the Delta Apparel record date (and thereby receive Delta Apparel shares in the Delta Apparel distribution and Duck Head shares in the Duck Head distribution); and

(ii) any Delta Woodside stock options that remained unexercised as of the Delta Apparel record date remain exercisable for only Delta Woodside common shares, and for the same number of Delta Woodside common shares at the same exercise price, after the Delta Apparel distribution and the Duck Head distribution as before the Delta Apparel distribution and the Duck Head distribution (and not for a combination of Delta Woodside shares, Delta Apparel shares and Duck Head shares).

All holders of outstanding options under the Delta Woodside stock option plan entered into the proposed amendment.

As a result of these amendments, options for Delta Woodside shares became exercisable earlier than they otherwise would have for the following Named Executives and members of the Delta Apparel board of directors for the following number of shares of Delta Woodside common stock:

Name	Number of Delta Woodside common shares
----	-----
	covered by portion of stock options the
	-----
	exercisability of which was accelerated
	-----
William F. Garrett	37,500
Herbert M. Mueller	4,500
Marjorie F. Rupp	3,000

LEASE TERMINATIONS

Delta Woodside has leased its principal corporate office space and space for its benefits department, purchasing department and financial accounting department from a corporation (Hammond Square, Ltd.), one-half of the stock of which is owned by each of E. Erwin Maddrey, II (a director and significant stockholder of Delta Apparel and Duck Head and President and Chief Executive Officer (from which officer positions he will resign in connection with the Delta Apparel distribution and the Duck Head distribution) and a director and significant stockholder of Delta Woodside) and Jane H. Greer (Vice President and Secretary of Delta Woodside (from which officer positions she will resign in connection with the Delta Apparel distribution and the Duck Head distribution)). Mr. Maddrey and Ms. Greer are also the directors and executive officers of Hammond Square, Ltd. The lease of this space was executed effective September 1, 1998, covers approximately 9,662 square feet at a rental rate of \$13.50 per square foot per year (plus certain other expenses) and had an expiration date of August 2003. In connection with the Delta Apparel distribution and the Duck Head distribution, Hammond Square, Ltd. and Delta Woodside have agreed that this lease will terminate on the Delta Apparel and Duck Head distribution date in exchange for the payment by Delta Woodside to Hammond Square, Ltd. of \$135,268. Following the Delta Apparel and Duck Head distribution date, Delta Woodside may continue to use the space on an as needed month-to-month basis at the rental rate of \$14.00 per square foot per year (plus certain other expenses).

Delta Woodside has leased office space in Edgefield, South Carolina from The Rainsford Development Corporation, a corporation wholly owned by Bettis C.

Rainsford (a director and significant stockholder of Delta Apparel, Duck Head and Delta Woodside). Mr. Rainsford is a director and executive officer and Brenda L. Jones (Assistant Secretary of Delta Woodside (from which officer position she will resign in connection with the Delta Apparel distribution and the Duck Head distribution)) is an executive officer of The Rainsford Development Corporation. In connection with the Delta Apparel distribution and the Duck Head distribution, The Rainsford Development Corporation and Delta Woodside have agreed that this lease will terminate on the Delta Apparel and Duck Head distribution date in exchange for the payment by Delta Woodside to The Rainsford Development Corporation of \$33,299.08.

#### LEASE OF STORE IN EDGEFIELD, SOUTH CAROLINA

Duck Head leases a building in Edgefield, South Carolina from Bettis C. Rainsford (a director and significant stockholder of Delta Apparel, Duck Head and Delta Woodside) pursuant to an agreement involving rental payments equal to 3% of gross sales of the Edgefield store, plus 1% of gross sales of the store for utilities. Under this lease agreement, \$9,944, \$11,076 and \$10,947 were paid to Mr. Rainsford during fiscal 1997, 1998 and 1999, respectively.

#### TRANSFERS OF LIFE INSURANCE POLICIES

In February 1991, each of E. Erwin Maddrey, II (a director and significant stockholder of Delta Apparel and Duck Head and President and Chief Executive Officer (from which officer positions Mr. Maddrey will resign in connection with the Delta Apparel distribution and the Duck Head distribution) and a director and significant stockholder of Delta Woodside) and Bettis C. Rainsford (a director and significant stockholder of Delta Apparel, Duck Head and Delta Woodside) entered into a stock transfer restrictions and right of first refusal agreement (which this document refers to as a "First Refusal Agreement") with Delta Woodside. Pursuant to each First Refusal Agreement, Mr. Maddrey or Mr. Rainsford, as the case may be, granted Delta Woodside a specified right of first refusal with respect to any sale of that individual's Delta Woodside shares owned at death for five years after the individual's death. In connection with the First Refusal Agreements, life insurance policies were established on the lives of Mr. Maddrey and Mr. Rainsford. Under the life insurance policies on the life of each of them, \$30 million is payable to Delta Woodside and \$10 million is payable to the beneficiary or beneficiaries chosen by the individual. Nothing in either First Refusal Agreement restricts the freedom of Mr. Maddrey or Mr. Rainsford to sell or otherwise dispose of any or all of his Delta Woodside shares at any time prior to his death or prevents Delta Woodside from canceling the life insurance policies payable to it for \$30 million on either Mr. Maddrey's or Mr. Rainsford's life. A First Refusal Agreement terminates if the life insurance policies payable to the applicable individual's beneficiaries for \$10 million are canceled by reason of Delta Woodside's failure to pay the premiums on those policies.

In connection with the Delta Apparel distribution and the Duck Head distribution, Delta Woodside has agreed with each of Mr. Maddrey and Mr. Rainsford that, effective as of a date on or about the date the Delta Apparel distribution and the Duck Head distribution occur, that individual's First Refusal Agreement will terminate and, if the individual desires, Delta Woodside will transfer to the individual the \$10 million life insurance policies on his life the proceeds of which are payable to the beneficiary or beneficiaries he selects. After this transfer, the recipient individual will be responsible for payment the premiums on these life insurance policies. Delta Woodside will allow the remaining \$30 million of life insurance payable to Delta Woodside to lapse.

#### EMPLOYEE BENEFIT SERVICES

On or about the date of the Delta Apparel distribution, Delta Apparel anticipates engaging Carolina Benefits Services, Inc. to provide payroll processing and 401(k) plan administration services for Delta Apparel. Carolina Benefits Services, Inc. is owned by E. Erwin Maddrey, II (a director and significant stockholder of Delta Apparel and Duck Head and President and Chief Executive Officer (from which officer positions Mr. Maddrey will resign in connection with the Delta Apparel distribution and the Duck Head distribution) and a director and significant stockholder of Delta Woodside) and Jane H. Greer (Vice President and Secretary of Delta Woodside (from which officer positions she will resign in connection with the Delta Apparel distribution and the Duck Head distribution)). Ms. Greer is also an executive officer of Carolina Benefits Services, Inc.

For the services to be provided by Carolina Benefits Services, Delta Apparel anticipates paying fees based on the numbers of employees, 401(k) plan participants and plan transactions and other items. Delta Apparel anticipates that on an annual basis these fees will be approximately \$84,000. Delta Apparel elected to engage Carolina Benefits Services to provide these services after receiving proposals from other providers of similar services and determining that Carolina Benefits Services' proposal was Delta Apparel's least costly alternative.

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#### DESCRIPTION OF DELTA APPAREL CAPITAL STOCK

Delta Apparel has authorized common stock of 7,500,000 shares, par value \$.01 per share, and "blank check" preferred stock of 2,000,000 shares, par value of \$.01 per share. All of the outstanding shares of Delta Apparel common stock are, and all the shares of Delta Apparel common stock to be distributed to the Delta Woodside stockholders in the Delta Apparel distribution will be, fully paid and nonassessable. The shares of Delta Apparel common stock have no preference, conversion, exchange or cumulative voting rights.

Upon consummation of the Delta Apparel distribution, the transfer agent for Delta Apparel common stock will be First Union National Bank.

#### VOTING RIGHTS

Each share of Delta Apparel common stock is entitled to one vote. Because Delta Apparel's stockholders do not have cumulative voting rights, the holders of a majority of the shares voting for the election of directors may elect all the directors and minority representation on the board of directors may be prevented. The voting rights of shares of any class or series of Delta Apparel blank check preferred stock to be issued will be determined by the Delta Apparel board of directors in the resolutions creating that class or series and will be set forth in a certificate of designation filed with the Georgia Secretary of State.

#### RIGHTS PLAN

##### Common Stock Purchase Right Dividend

Prior to the Delta Apparel distribution, the board of directors of Delta Apparel declared a dividend distribution of one Delta Apparel common stock purchase right (which this document refers to as a Right) for each then outstanding share of Delta Apparel common stock. Each Right entitles the registered holder to purchase from Delta Apparel one quarter share of its common stock, at a cash exercise price of \$20.00- per quarter share (equivalent to \$80.00 per whole share), subject to adjustment. The description and terms of the Rights are set forth in a Shareholder Rights Agreement (which this document refers to as the rights agreement) between Delta Apparel and First Union National Bank, as rights agent. The number of Rights outstanding is equal to the number of shares of the Delta Apparel common stock outstanding.

A copy of the rights agreement has been included as an exhibit to the Registration Statement on Form 10 of which this Information Statement is a part. You can access the Registration Statement on the Securities and Exchange Commission's web site at [www.sec.gov](http://www.sec.gov) by searching the Edgar Archives on the SEC's web site. You can also get a copy free of charge by calling or writing to Delta Apparel at the telephone number or address stated under "Summary -- Delta Apparel."

##### Certificates; Separation of Rights from Common Stock

Initially, the Rights will not be exercisable, will be attached to all outstanding shares of Delta Apparel common stock, and no separate Right certificates will be distributed. The Rights will separate from the Delta Apparel common stock and a "Distribution Date" will occur upon the earliest of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (which this document refers to as an Acquiring Person) (other than an Exempt Person as defined in the rights agreement) has acquired beneficial ownership of 20% or more of the outstanding shares of Delta Apparel common stock (which date of announcement this document refers to as the Share Acquisition Date) and (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group owning 20%

or more of the outstanding shares of Delta Apparel common stock.

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Until the Distribution Date (or earlier redemption or expiration of the Rights), (a) the Rights will be evidenced by the Delta Apparel common stock certificates and will be transferred with and only with the Delta Apparel common stock certificates, (b) Delta Apparel common stock certificates will contain a notation incorporating the rights agreement by reference, and (c) the surrender for transfer of any certificates for Delta Apparel common stock will also constitute the transfer of the Rights associated with the Delta Apparel common stock represented by the certificate.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on January 20, 2010 unless previously redeemed or exchanged for Delta Apparel common stock by Delta Apparel as described below.

As soon as practicable after the Distribution Date, Right certificates will be mailed to holders of record of Delta Apparel common stock as of the close of business on the Distribution Date and, thereafter, the separate Right Certificates alone will represent the Rights. Except as otherwise determined by the Delta Apparel board of directors, only shares of Delta Apparel common stock issued prior to the Distribution Date will be issued with Rights.

#### Flip-In Rights

In the event that (i) a person becomes an Acquiring Person, (ii) Delta Apparel is the surviving corporation in a merger with an Acquiring Person or any affiliate or associate of an Acquiring Person and the Delta Apparel common stock is not changed or exchanged, (iii) an Acquiring Person engages in one of a number of self-dealing transactions specified in the rights agreement, or (iv) an event occurs that results in an Acquiring Person's ownership interest being increased by more than 1%, proper provision will be made so that each holder of a Right will thereafter have the right to receive upon exercise of the Right at the then current exercise price, that number of shares of Delta Apparel common stock (or in certain circumstances, cash, property, or other securities of Delta Apparel) having a market value of two times that exercise price. However, the Rights are not exercisable following the occurrence of any of the events set forth above until the time the Rights are no longer redeemable as set forth below. Notwithstanding any of the foregoing, upon any of the events set forth above, Rights that are or were beneficially owned by an Acquiring Person will become null and void.

#### Flip-Over Rights

In the event that, at any time following the Share Acquisition Date, (i) Delta Apparel is acquired in a merger or other business combination transaction or (ii) 50% or more of Delta Apparel's assets or earning power is sold, each holder of a Right will thereafter have the right to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the exercise price of the Right.

#### Exchange of Common Stock for Rights at Option of the Board

At any time after any person becomes an Acquiring Person and prior to the time that person, together with its affiliates and associates, becomes the beneficial owner of 50% or more of the outstanding Delta Apparel common stock, the board of directors of Delta Apparel may exchange the Rights (other than Rights that have become void), in whole or in part, at the exchange rate of one quarter share of Delta Apparel common stock per Right, subject to adjustment as provided in the rights agreement.

#### Adjustment of Exercise Price and Underlying Shares in Certain Events

The exercise price payable, and the number of shares of Delta Apparel common stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Delta Apparel common stock, (ii) if all holders of the Delta Apparel common stock are granted certain rights or warrants to subscribe for Delta Apparel common stock or securities convertible into Delta Apparel common stock at less than the current market price of the Delta Apparel common stock, or (iii) upon the distribution to all holders of the Delta Apparel common stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to

above).

With certain exceptions, no adjustment in the exercise price will be required until cumulative adjustments amount to at least 1% of the exercise price. No fractional shares of Delta Apparel common stock will be issued upon exercise of a Right and, in lieu of a fractional share, a payment, in cash will be made based on the fair market value of the Delta Apparel common stock on the last trading date prior to the date of exercise.

#### Redemption of Rights

The Rights may be redeemed in whole, but not in part, at a price of \$.001 per Right (payable in cash, Delta Apparel common stock or other consideration deemed appropriate by the Delta Apparel board of directors) by the Delta Apparel board of directors at any time prior to the close of business on the tenth day after the Share Acquisition Date or the final expiration date of the Rights (whichever is earlier); provided that, under certain circumstances, the Rights may not be redeemed unless there are Disinterested Directors (as defined in the rights agreement) in office and the redemption is approved by a majority of the Disinterested Directors. After the redemption period has expired, Delta Apparel's right of redemption may be reinstated upon the approval of the Delta Apparel board of directors if an Acquiring Person reduces his beneficial ownership to 10% or less of the outstanding shares of Delta Apparel common stock in a transaction or series of transactions not involving Delta Apparel and there are no other Acquiring Persons. Immediately upon the action of the Delta Apparel board of directors ordering redemption of the Rights and without any notice, the Rights will terminate and thereafter the only right of the holders of Rights will be to receive the redemption price.

#### No Rights of Stockholder Until Exercise

Until a Right is exercised, the holder will have no rights as a stockholder of Delta Apparel (beyond those as an existing stockholder), including the right to vote or to receive dividends.

#### Material Federal Income Tax Consequences of Rights Plan

Although the distribution of the Rights will not be taxable to stockholders or to Delta Apparel, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Delta Apparel common stock (or other consideration) or for common stock of an acquiring company as described above or in the event the Rights are redeemed by Delta Apparel.

#### Amendment of Rights Agreement

Any of the provisions of the rights agreement may be amended by the board of directors of Delta Apparel prior to the Distribution Date. After the Distribution Date, the provisions of the rights agreement, other than those relating to the principal economic terms of the Rights, may be amended by the Delta Apparel board of directors to cure any ambiguity, defect or inconsistency, to make changes that do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the rights agreement. Amendments adjusting time periods may, under certain circumstances, require the approval of a majority of Disinterested Directors, or otherwise be limited.

#### OTHER PROVISIONS RESPECTING STOCKHOLDER RIGHTS AND EXTRAORDINARY TRANSACTIONS

Set forth below is a brief summary of some of the provisions of Delta Apparel's articles of incorporation and bylaws respecting stockholder rights and extraordinary transactions that will govern your rights as a holder of Delta Apparel common stock after the Delta Apparel distribution. Some of these provisions may deter takeovers of Delta Apparel that you may consider to be in your best interests. Those takeovers could include offers for Delta Apparel common stock for a premium over the market price of the stock.

#### General

Delta Apparel is a Georgia corporation that is subject to the provisions of the Official Code of Georgia. The rights of Delta Apparel's stockholders are

governed by its articles of incorporation and bylaws, in addition to Georgia law.

#### Authorized Capital

Delta Apparel's authorized capital stock consists of 7,500,000 common shares and 2,000,000 shares of "blank check" preferred stock.

Under Delta Apparel's articles of incorporation, its board of directors could issue additional authorized but unissued common stock or could designate and issue one or more classes or series of preferred stock. One of the effects of authorized but unissued and unreserved shares of common stock and blank check preferred stock may be to render more difficult or to discourage an attempt by a potential acquiror to obtain control of Delta Apparel by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of Delta Apparel's management and board of directors. The issuance of those shares of common stock and/or preferred stock may have the effect of delaying, deferring or preventing a change in control of Delta Apparel without any further action by its stockholders. Delta Apparel's articles of incorporation authorize its board of directors to determine the preferences, limitations and relative rights granted to and imposed upon each class and series of Delta Apparel's preferred stock.

#### Amendment of the Articles of Incorporation

Except for certain primarily ministerial amendments that may be authorized by the Delta Apparel board of directors alone to amend Delta Apparel's articles of incorporation, the following is required to amend Delta Apparel's articles of incorporation: (1) an authorization by the Delta Apparel board of directors; followed by (2) a vote of the majority of all outstanding voting stock.

#### Amendments of the Bylaws

Delta Apparel's bylaws may be amended, adopted or repealed by:

- approval of holders of two-thirds of each class entitled to vote; or
- approval by two-thirds of the directors then in office.

#### Number of Directors

The number of directors must be no less than 2 and no more than 15, with the actual number to be determined by Delta Apparel's board of directors from time to time. This provision gives Delta Apparel's board of directors the power to increase the size of the board of directors within this range. In the event of an increase or decrease in the size of the board of directors, each director then serving nevertheless continues as a director until the expiration of his current term or his prior death, retirement, resignation or until a successor is appointed.

#### Vacancies on Delta Apparel's Board of Directors

Any vacancy that occurs during the year or that occurs as a result of death, resignation, removal, an increase in the size of Delta Apparel's board of directors or otherwise, may be filled by a vote of majority of the directors remaining in office or by the sole remaining director.

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#### Nominations of Directors

Any nomination for a director that is made by a stockholder must be made in writing by personal delivery or by United States mail, postage pre-paid, to Delta Apparel's corporate secretary by the following deadlines:

- in the case of annual meetings of stockholders, at least 120 days before the anniversary date of the immediately preceding annual stockholder meeting; and
- in the case of special meetings, the close of business on the seventh day following the date that notice of the meeting was first given to stockholders.

A stockholder's nomination for director must include:

- the name and address of the stockholder, the class and number of shares beneficially owned by the stockholder as of any record date for the meeting and as of the date of the notice of the meeting and the name in which those shares are registered;
- a representation that the stockholder intends to appear in person or by proxy at the meeting to make the nomination;
- a description of all arrangements and understandings between the stockholder and each nominee and any other person pursuant to which the nominations are to be made;
- other information that must be disclosed in proxy solicitations;
- the written consent of each nominee to serve as a director of Delta Apparel if so elected; and
- any other information that Delta Apparel may reasonably request.

Depending on the circumstances, these timing and notice requirements may preclude or deter some stockholders from making nominations for directors at a meeting of stockholders.

#### Limitation on Liability of Directors

Under the Official Code of Georgia, a corporation may adopt provisions to its articles of incorporation limiting the personal liability of its directors to the corporation or any of its stockholders for monetary damage as a result of breaches of duty of care or other duty as a director, provided that the provision may not eliminate or limit the liability of a director: (i) for any appropriation in violation of the director's duties to Delta Apparel or its stockholders, (ii) for acts or omissions that involve intentional misconduct or a knowing violation of law, (iii) for any willful or negligent payment of an unlawful dividend, or (iv) for any transaction from which the director derived an improper personal benefit. Delta Apparel's articles of incorporation contains a provision that limits the personal liability of directors "to the fullest extent permitted" by the Official Code of Georgia.

This exculpation provision may have the effect of reducing the likelihood of derivative litigation against Delta Apparel's directors and may discourage or deter stockholders or Delta Apparel from bringing a lawsuit against its directors for breach of their fiduciary duties as directors. However, the provision does not affect the availability of equitable remedies like an injunction or rescission.

The foregoing liability and the indemnification provisions described below may be materially more liberal with respect to directors than available under the corporate laws of many other states.

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#### Indemnification of Directors

Delta Apparel's bylaws provide that Delta Apparel shall indemnify its directors and officers (and each person who at its request served as an officer or director of another entity) to the fullest extent permitted by Georgia law. This right to indemnification also includes the right to be paid by Delta Apparel the expenses incurred in connection with a proceeding in advance of its final disposition to the fullest extent authorized by Georgia law.

Delta Apparel's bylaws provide that it may purchase and maintain insurance on behalf of any person who is or was one of its directors, officers, employees or agents, or is or was serving at Delta Apparel's request as a director, officer, employee or agent of another entity, against any liability asserted against him or her and incurred by him or her in that capacity, or arising out of his or her status as such, whether or not Delta Apparel would have the power or the obligation to indemnify him or her against that liability under the provisions of Delta Apparel's bylaws.

The indemnification and advancement of expenses provisions described above are set forth in Delta Apparel's bylaws as a contractual right of Delta Apparel's directors and officers.

#### Annual Meeting of Stockholders



The annual meeting of stockholders must be held on a date and at a place fixed by Delta Apparel's board of directors.

#### Special Meetings of Stockholders

Special meetings of stockholders may be called at any time and for any purpose by:

- the chairman of Delta Apparel's board of directors;
- Delta Apparel's president; or
- a committee of the board of directors that has been duly designated by the board of directors and whose powers and authority provided in a resolution of the board of directors or in the bylaws include the power to call those meetings.

Under Delta Apparel's bylaws, stockholders may not call a special meeting and no action may be taken by stockholders of Delta Apparel except at an annual or special meeting of stockholders or by unanimous written consent. The fact that holders of Delta Apparel voting stock are unable to call a special meeting or to take action without a meeting except by unanimous written consent may make it more difficult for stockholders to take action opposed by Delta Apparel's board of directors.

#### Stockholder Proposals

A stockholder wishing to bring business before an annual meeting of stockholders must provide written notice of the business by personal delivery or by United States mail, postage pre-paid, to Delta Apparel's corporate secretary at its principal executive offices. The notice must be received by the earlier of the following dates:

- at least 120 days prior to the anniversary date of the immediately preceding annual meeting; or
- at least 10 days after notice or public disclosure of the date of the annual meeting was made or given to the stockholders.

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The notice must include:

- a description of the item of business and the reasons for conducting it at the meeting and, if the item of business includes a proposal to amend the articles of incorporation or bylaws, the text of the proposed amendment;
- the name and address of the stockholder, the class and number of shares beneficially owned and represented by proxy by the stockholder as of any record date for the meeting, and as of the date of the notice of the meeting;
- a representation that the stockholder intends to appear in person or by proxy at the meeting to propose the item of business;
- any material interest of the stockholder in the item of business;
- a description of all arrangements and understandings between the stockholder and any other person or persons (with the name of the persons) pursuant to which the proposal is made by the stockholder; and
- such other information as Delta Apparel may reasonably request.

Depending on the circumstances, these timing and notice requirements may preclude or deter some stockholders from bringing matters before an annual meeting.

#### Preemptive Rights

In general, preemptive rights allow stockholders whose dividend rights or voting rights would be adversely affected by issuing new stock to purchase, on terms and conditions set by the board of directors, that proportion of the new issue that would preserve the relative dividend or voting rights of those

stockholders. As permitted by Georgia law, Delta Apparel's articles of incorporation do not grant its stockholders preemptive rights.

#### Stockholder Action Without Meeting

Delta Apparel's articles of incorporation provide that no action required or permitted to be taken at an annual or special meeting of stockholders may be taken without a meeting unless the action is taken by the unanimous written consent of all of the stockholders in lieu of a meeting. This restriction on stockholders' ability to act by written consent may make it more difficult for stockholders to take action opposed by Delta Apparel's board of directors.

#### Dividends, Distributions and Liquidations

Subject to the provisions of any outstanding blank check preferred stock, the holders of Delta Apparel common stock are entitled to receive whatever dividends, if any, may be declared from time to time by the Delta Apparel board of directors in its discretion from funds legally available for that purpose. Under Georgia law, a corporation generally may pay dividends or make distributions on its common stock; provided, however, that no distribution may be made if, after giving it effect, either (i) the corporation would be unable to pay its debts when due in the ordinary course of business or (ii) the corporation's total liabilities would exceed the sum of its total assets, plus the total dissolution preferences of any senior classes of stock. For a description of some of the restrictions placed on Delta Apparel's ability to pay dividends or make distributions, see the portion of this document found under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Dividends and Purchases of its Own Shares by Delta Apparel". The holders of Delta Apparel common stock are entitled to share on a pro rata basis in any distribution to stockholders upon liquidation, dissolution or winding up of Delta Apparel, subject to the provisions of any outstanding blank check preferred stock.

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#### Approval of and Special Rights with Respect to Mergers or Consolidations and Other Transactions

Under Georgia law, although articles of incorporation may require a higher stockholder vote, the holders of a majority of the outstanding voting common shares must approve a plan adopted by the board of directors in order to authorize mergers, consolidations, share exchanges or the transfer of all or substantially all of the corporation's assets. Delta Apparel's articles of incorporation do not require a higher vote to approve any of those transactions.

#### Georgia Business Combinations Statute

Delta Apparel is also subject to Section 14-2-1131 et seq. of the Official Code of Georgia. In general, this section prohibits a Georgia corporation from engaging in a "business combination" with an "interested stockholder" for a period of five years after the date the stockholder becomes an "interested stockholder", unless:

- before that date the board of directors of that corporation approves either the "business combination" or the transaction that resulted in the stockholder becoming an "interested stockholder";
- in the transaction that resulted in the stockholder becoming an "interested stockholder", the "interested stockholder" owned at least 90% of the voting stock of the corporation outstanding at the time that the transaction commenced, excluding, for purposes of determining the number of shares outstanding, shares owned by any of the following persons (which this document refers to as the persons excluded from the voting calculation):
  - persons who are directors or officers, their affiliates and associates;
  - subsidiaries of the corporation, and
  - employee stock plans that do not provide employees with the right to determine confidentially the extent to which shares held subject to the plan will be tendered in a tender or exchange offer; or

- after becoming an "interested stockholder", the stockholder:
  - acquired additional shares resulting in the "interested stockholder" being the beneficial owner of at least 90% of the outstanding voting stock of the corporation, excluding, for purposes of determining the number of shares outstanding, shares owned by the persons excluded from the voting calculation; and
  - the business combination was approved at an annual or special meeting of stockholders by the holders of a majority of the voting stock entitled to vote, excluding the voting stock beneficially owned by the "interested stockholder" and the persons excluded from the voting calculation.

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A "business combination" includes:

- a merger, consolidation or share exchange of the corporation or any subsidiary with any interested stockholder or an affiliate of any interested stockholder;
- a sale, lease, transfer or other disposition (other than in the ordinary course of business) in one or a series of transactions to any interested stockholder or an affiliate or associate of an interested stockholder of any assets of the corporation or any of its subsidiaries with an aggregate book value of 10% or more of the corporation's net assets;
- an issuance or transfer by the corporation or its subsidiaries to any interested stockholder or its affiliates or associates in one transaction or a series of transactions of equity securities of the corporation that have an aggregate market value of 5% or more of the total market value of the outstanding common and preferred stock of the corporation (except pursuant to the exercise of rights granted proportionately to other stockholders and for convertible or exercisable rights outstanding prior to the time that the person became an interested stockholder);
- the adoption of any plan or proposal for the liquidation or dissolution of the corporation;
- any reclassification of securities or merger or consolidation of the corporation or its subsidiaries that has the effect of increasing by 5% or more the proportionate amount of equity securities of the corporation or its subsidiaries beneficially owned by the interested stockholder or its affiliates; and
- any other transaction (other than in the ordinary course of business) resulting in a disproportionate financial benefit to the "interested stockholder" or its affiliates or associates.

Under this statute, an "interested stockholder" is a person who beneficially owns 10% or more of the corporation's outstanding voting stock or is an affiliate of the corporation and within the two prior years beneficially owned 10% or more of the corporation's then outstanding stock.

The restrictions imposed by this section will not apply to a corporation unless its bylaws specifically provide for coverage under the statute. In its bylaws Delta Apparel has opted into the statute. Accordingly, the restrictions outlined above will apply to Delta Apparel.

#### "Relevant Factors" Provision

The articles of incorporation expressly requires the Delta Apparel board of directors, when evaluating any proposed tender offer, exchange offer or plan of merger, consolidation, sale of assets or stock exchange, to consider not only the consideration being offered in relation to the then current market price for Delta Apparel's outstanding shares of capital stock, but also in relation to the then current value of Delta Apparel in a freely negotiated transaction and in relation to the Delta Apparel board of directors' estimate of the future value of Delta Apparel (including the unrealized value of its properties and assets) as an independent going concern, as well as any other factors that the Delta Apparel board of directors deems relevant.

## Effect of Provisions on Extraordinary Transactions

The provisions respecting tender offers and similar transactions may tend to discourage attempts by third parties to acquire Delta Apparel in a hostile takeover effort, and may adversely affect the price that a potential purchaser would be willing to pay for the stock of Delta Apparel. The provisions may also make the removal of incumbent management more difficult. The Delta Apparel board of directors believes that these provisions are in the long-term interests of Delta Apparel and its stockholders because they may encourage persons seeking to acquire control of Delta Apparel to consult first with Delta Apparel's board of directors and permit the board to consider factors other than the relationship of the price offered to recent market prices. Delta Apparel believes that any takeover attempt or business combination in which Delta Apparel is involved should be thoroughly studied by Delta Apparel's board of directors and that the Delta Apparel stockholders should have the benefit of the Delta Apparel board's recommendation. Nonetheless, Delta Apparel's stockholders should be aware that these provisions could reduce the market value of Delta Apparel common stock.

## RECENT SALES OF UNREGISTERED SECURITIES

Following Delta Apparel's incorporation on December 10, 1999, Delta Apparel issued 100 shares of its common stock for aggregate consideration of \$100 to its parent corporation, Duck Head Apparel Company, Inc., a Tennessee corporation which is an indirect wholly-owned subsidiary of Delta Woodside, in a transaction that was not registered under the Securities Act of 1933 because of the exemption from registration provided by Section 4(2) of that Act. Prior to the Delta Apparel distribution, Delta Apparel's parent corporation will merge into its immediate parent corporation, which in turn will merge into Delta Woodside, and Delta Apparel will issue as a stock dividend to Delta Woodside, in a transaction that does not constitute a sale under the Securities Act of 1933, the number of additional Delta Apparel shares needed so that the Delta Apparel distribution can be effected. The Rights described above will be attached to the shares of common stock.

## 2000 ANNUAL MEETING OF DELTA APPAREL STOCKHOLDERS

Delta Apparel plans to hold an annual meeting of its stockholders in the fall of 2000.

Any stockholder of Delta Apparel who desires to present a proposal at the 2000 annual meeting of stockholders of Delta Apparel for inclusion in the proxy statement and form of proxy relating to that meeting must submit the proposal to Delta Apparel at its principal executive offices on or before June 5, 2000. If a stockholder of Delta Apparel desires to present a proposal at the 2000 annual meeting of stockholders of Delta Apparel that will not be included in Delta Apparel's proxy statement and form of proxy relating to that meeting, the proposal must be submitted to Delta Apparel at its principal executive offices by the earlier of July 7, 2000 or ten days after notice or public disclosure of the date of the meeting is made or given to stockholders. After that date, the proposal will not be considered timely. Stockholders submitting proposals for inclusion in the proxy statement and form of proxy must comply with the Exchange Act and all stockholders submitting proposals or nominations for director must comply with the bylaw requirements described under the headings "Description of Delta Apparel Capital Stock B Nominations of Directors" and "Description of Delta Apparel Capital Stock B Stockholder Proposals."

## FORWARD-LOOKING STATEMENTS MAY NOT BE ACCURATE

This document, particularly the material under the headings "Risk Factors", "Trading Market", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business of Delta Apparel", contains "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that Delta Apparel expects or anticipates will or may occur in the future are forward-looking statements. Examples are statements that concern future revenues, future costs, future capital expenditures, business strategy,

competitive strengths, competitive weaknesses, goals, plans, references to future success or difficulties and other similar information. The words "estimate", "project", "forecast", "anticipate", "expect", "intend", "believe" and similar expressions, and discussions of strategy or intentions, are intended to identify forward-looking statements.

The forward-looking statements in this document are based on Delta Apparel's expectations and are necessarily dependent upon assumptions, estimates and data that Delta Apparel believes are reasonable and accurate but may be incorrect, incomplete or imprecise. Forward-looking statements are also subject to a number of business risks and uncertainties, any of which could cause actual results to differ materially from those set forth in or implied by the forward-looking statements. Many of these risks and uncertainties are described under the heading "Risk Factors" and are beyond Delta Apparel's control. Accordingly, any forward-looking statements do not purport to be predictions of future events or circumstances and may not be realized.

Delta Apparel does not undertake publicly to update or revise the forward-looking statements even if it becomes clear that any projected results will not be realized.

#### INDEPENDENT AUDITORS

Delta Apparel's board of directors has appointed KPMG LLP as its independent auditors to audit its financial statements for fiscal year 2000. KPMG LLP also serves as tax advisors to Delta Apparel.

#### ADDITIONAL INFORMATION

Delta Apparel has filed a Registration Statement on Form 10 with the SEC under the Securities Exchange Act of 1934 with respect to the Delta Apparel common stock. This document does not contain all of the information set forth in the Registration Statement and the related exhibits to which this document refers.

You may inspect and copy the Registration Statement and the related exhibits filed by Delta Apparel with the SEC at the public reference facilities that the SEC maintains at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549, as well as at the Regional Offices of the Commission at Northwest Atrium Center, 500 West Madison, Suite 1400, Chicago, Illinois 60661, and 7 World Trade Center, 13th floor, New York, New York 10048. You can obtain copies of that information by mail from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, DC 20549 at prescribed rates. You may also access that material electronically through the SEC's home page on the Internet at <http://www.sec.gov>.

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DELTA APPAREL COMPANY  
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INDEPENDENT AUDITORS' REPORT

Delta Apparel Company:

We have audited the accompanying combined balance sheets of Delta Apparel Company (the "Company"), as described in note 1, as of July 3, 1999 and June 27, 1998, and the related combined statements of operations and accumulated divisional deficit and cash flows for each of the years in the three-year period ended July 3, 1999. In connection with our audits of the combined financial statements, we also have audited the schedule of valuation and qualifying accounts for each of the years in the three year period ended July 3, 1999. These combined financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Delta Apparel Company as of July 3, 1999 and June 27, 1998, and the results of its operations and its cash flows for each of the years in the three-year period ended July 3, 1999, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Atlanta, Georgia  
August 6, 1999

KPMG LLP

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<TABLE>  
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DELTA APPAREL COMPANY  
(as described in Note 1)

Combined Balance Sheets  
(Amounts in thousands)

	JULY 3, 1999	JUNE 27, 1998
	-----	-----
Assets		
<S>	<C>	<C>
Current assets:		
Cash	\$ 402	101
Accounts receivable, less allowances of \$5,054 in 1999 and \$1,329 in 1998	24,049	25,072
Other receivables	241	869
Parent and affiliate receivables (note 8)	9	539
Inventories (notes 3 and 8)	27,034	32,289
Prepaid expenses and other current assets	872	316
Income taxes receivable	90	-
	-----	-----

Total current assets	52,697	59,186
Property, plant and equipment, net (note 4)	31,441	40,507
Other assets	219	257
	-----	-----
	\$ 84,357	99,950
	=====	=====
Liabilities and Divisional Deficit		
Current liabilities:		
Accounts payable	\$ 5,270	11,484
Accrued expenses (note 5)	5,359	4,276
Current portion of long-term debt (note 6)	239	239
Due to related parties (note 8)	109,046	99,835
Income taxes payable	-	108
	-----	-----
Total current liabilities	119,914	115,942
Long-term debt (note 6)	100	339
Due to related parties (note 8)	30,417	30,417
Other liabilities	482	618
	-----	-----
Total liabilities	150,913	147,316
Divisional deficit	(66,556)	(47,366)
Commitments and contingencies (notes 9, 10 and 12)		
	-----	-----
	\$ 84,357	99,950
	=====	=====

</TABLE>

See accompanying notes to combined financial statements.

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<TABLE>  
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DELTA APPAREL COMPANY  
(as described in Note 1)

Combined Statements of Operations and Accumulated Divisional Deficit

(Amounts in thousands, except per share amounts)

	Year ended		
	JULY 3, 1999	JUNE 27, 1998	JUNE 28, 1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$ 106,779	107,967	112,593
Cost of goods sold	101,125	103,867	109,334
	-----	-----	-----
Gross profit	5,654	4,100	3,259
Selling, general and administrative expenses	10,940	12,223	8,351
Intercompany management fees (note 8)	1,135	1,048	1,138
Provision for bad debts	1,645	685	41
Impairment charges (note 2)	1,415	7,459	-
Other expenses	221	505	132
	-----	-----	-----
Operating loss	(9,702)	(17,820)	(6,403)
	-----	-----	-----

Interest (income) expense:			
Interest expense (income), net	121	(162)	(262)
Intercompany interest expense (note 8)	9,457	6,541	6,128
	-----	-----	-----
	9,578	6,379	5,866
	-----	-----	-----
Loss before income taxes	(19,280)	(24,199)	(12,269)
	-----	-----	-----
Income tax expense (benefit) (note 7)	(90)	108	(208)
	-----	-----	-----
Net loss	(19,190)	(24,307)	(12,061)
	-----	-----	-----
Accumulated divisional deficit, beginning of year	(47,366)	(23,059)	(10,998)
	-----	-----	-----
Accumulated divisional deficit, end of year	<u>\$ (66,556)</u>	<u>(47,366)</u>	<u>(23,059)</u>
	=====	=====	=====
Unaudited pro forma net loss per share (note 2):			
Basic and diluted	\$ (8.00)		
	=====		
Basic and diluted weighted-average common shares outstanding	2,400,000		
	=====		
See accompanying notes to combined financial statements.			

</TABLE>

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DELTA APPAREL COMPANY  
(as described in Note 1)

Combined Statements of Cash Flows

(Amounts in thousands)

	YEAR ENDED		
	JULY 3, 1999	JUNE 27, 1998	JUNE 28, 1997
	-----	-----	-----
<S>	<C>	<C>	<C>
Operating activities:			
Net loss	\$ (19,190)	(24,307)	(12,061)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	9,208	4,312	3,672
Amortization	6	155	250
Impairment charges	1,415	7,459	-
Provision for allowances on accounts receivable	3,725	745	(1,487)
Loss (gain) on sale of property and equipment	347	29	(22)
Changes in operating assets and liabilities:			
Accounts receivable	(2,702)	(7,661)	5,874
Inventories	5,255	8,409	(9,859)
Prepaid expenses and other current assets	72	310	(382)
Other noncurrent assets	38	(253)	(304)
Accounts payable	(6,214)	3,302	(3,243)
Accrued expenses	1,083	1,100	(55)
Income taxes payable	(198)	(1,730)	3,500
Due to/from affiliates	530	(4,513)	276
Other liabilities	(136)	61	100
	-----	-----	-----
Net cash used in operating activities	(6,761)	(12,582)	(13,741)
	-----	-----	-----



Investing activities:			
Purchases of property, plant, and equipment	(3,593)	(3,658)	(2,340)
Proceeds from sale of property, plant, and equipment	1,683	302	47
	-----	-----	-----
Net cash used in investing activities	(1,910)	(3,356)	(2,293)
	-----	-----	-----
Financing activities:			
Principal payments on long-term debt	(239)	(239)	(240)
Change in due to affiliates, net	9,211	16,274	16,220
	-----	-----	-----
Net cash provided by financing activities	8,972	16,035	15,980
Increase (decrease) in cash	301	97	(54)
Cash at beginning of year	101	4	58
	-----	-----	-----
Cash at end of year	\$ 402	101	4
	=====	=====	=====
Supplemental cash flow information:			
Cash paid during the year for interest	\$ 33	53	69
	=====	=====	=====
Noncash investing activity - transfer of plant and equipment from Parent Company	\$ -	18,758	-
	=====	=====	=====

See accompanying notes to combined financial statements.  
</TABLE>

F4  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

(1) BASIS OF PRESENTATION

The accompanying combined financial statements for the three years ended July 3, 1999 include the operations and accounts of Delta Apparel Company. Delta Apparel Company is one of two apparel divisions which operate in Duck Head Apparel Company, Inc., a Tennessee corporation. This corporation is owned by Alchem Capital Corporation ("Alchem"), a wholly owned subsidiary of Delta Woodside Industries, Inc. ("DWI" or the "Parent").

In April 1998, Delta Mills, Inc., a wholly owned subsidiary of DWI and owner of the Rainsford Yarn Mill ("Rainsford"), transferred management and operational control of Rainsford to Delta Apparel. The accompanying combined financial statements include the operations and accounts of Rainsford from April 1998. Delta Apparel, Rainsford and the Delta Apparel division of Delta Consolidated Corporation, a wholly owned subsidiary of Alchem, which constitutes the marketing and sales operations of Delta Apparel are combined and referred to herein as the "Company". The accompanying combined financial statements have been prepared for purposes of depicting the financial position and results of operations of the Company on a historical cost basis.

All balances and transactions among the combining entities have been eliminated in combination. Balances and transactions with other affiliates have not been eliminated in the combination and are reflected as affiliate balances and transactions.

(2) SIGNIFICANT ACCOUNTING POLICIES

(a) DESCRIPTION OF BUSINESS

The Company manufactures and sells T-shirts, fleece goods, and

sportswear to distributors, screen printers, and private label accounts. The Company operates manufacturing and distribution facilities in the Southeastern United States as well as manufacturing facilities in Central America. The majority of the Company's raw materials are readily available, and thus it is not dependent on a single supplier.

(b) FISCAL YEAR

The Company's operations are based upon a fifty-two or fifty-three week fiscal year ending on the Saturday closest to June 30. Fiscal year 1999 consists of 53 weeks and fiscal years 1998 and 1997 each consist of 52 weeks.

(c) INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out) or market. Estimated losses on inventories represent reserves for obsolescence, excess quantities, and irregulars and slow moving inventory. The Company estimates the losses on the basis of its assessment of the inventory's net realizable value based upon current market conditions and historical experience.

F5  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

The Company adopted the first-in, first-out (FIFO) method of determining the cost of inventories. The Company had previously recorded such inventories using the last-in, first-out (LIFO) method. The Company has experience a significant decline in prices and level of finished goods recently, and a significant portion of the manufacturing component has moved to lower cost off-shore facilities as such, the FIFO method is considered preferable because it more closely matches current costs with current revenues in periods of price-level decreases. LIFO inventories made up 94% and 93% of inventories at July 3, 1999 and June 27, 1998, respectively. All periods presented have been restated to reflect the retroactive application of this accounting principle as provided by the special exemption for an initial public distribution in APB Opinion 20, "Accounting Changes". The accounting change increased the net loss by \$707, \$3,316 and \$327 in fiscal 1999, 1998 and 1997, respectively.

(d) PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost. Depreciation and amortization is provided for using the straight-line method over estimated useful lives of 3 to 20 years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements.

(e) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets.

During fiscal year 1999, the Company continued to operate at a loss, continued to downsize its operations and was not using certain plant assets at their full capacity, which triggered an impairment review of its long-lived assets. Based on the Company's business plan for fiscal 2000, the trend in the apparel industry to move production off-shore and the age and condition of the Company's distribution facility in the United States the Company determined that certain of its plant

assets were impaired. The Company calculated the present value of expected cash flows of certain plant assets consisting of land, buildings, machinery and equipment to be held and used to determine the fair value of the assets. Accordingly, in the fourth quarter of fiscal 1999, the Company recorded an impairment charge of \$1,415.

(f) GOODWILL

Goodwill, which represents the excess purchase price over net assets acquired, was amortized on a straight-line basis over 40 years. Each year the Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through its undiscounted estimated future cash flows. In 1998, the Company continued to incur operating losses, the T-shirt apparel industry continued to see declines in margins due to offshore competition and the Company lost its largest customer in the fourth quarter of fiscal 1997. Concurrent with the Company's annual planning process, the Company determined that the future undiscounted cash flows were below the carrying value of the goodwill. Accordingly, during the third quarter of fiscal 1998 the Company wrote off the goodwill of \$7,240 as a deduction from pretax income. The estimated fair value was based on anticipated future cash

F6  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

flows discounted at a rate commensurate with the risk involved.

(g) REVENUE RECOGNITION

Sales of goods are recognized upon shipment of the goods to the customer. The Company estimates allowances for merchandise returns and markdowns based on historical credits issued as a percentage of sales.

(h) RELATED PARTY TRANSACTIONS.

The Company participates in a cash management system maintained by DWI. Under this system, excess cash is forwarded to DWI each day, reducing the due to parent, and cash requirements are funded daily by DWI, increasing the due to parent. Interest is charged on loan payable to DWI balances based on the weighted-average cost of DWI's borrowings. In addition, the Company incurs management fees from DWI for various corporate services including management, treasury, computer, benefits, payroll, auditing, accounting and tax services. For these services, DWI charges actual cost based on relative usage and other factors which, in the opinion of management, represents a reasonable and appropriate method of allocation.

(i) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company's operations are included in the consolidated Federal tax return of DWI. Under the consolidated tax sharing arrangement, the Company's tax receivable or payable is calculated as if the Company separately filed a Federal tax return. Any tax settlement due to or from the Parent is settled when the Parent receives or pays taxes to the government.

(j) ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs amounted to \$1,300, \$852 and \$453, in fiscal 1999, 1998 and 1997, respectively.

(k) COMPUTATION OF UNAUDITED PRO FORMA NET LOSS PER SHARE

The Company has presented the unaudited historical pro forma net loss per share pursuant to SFAS 128, Earnings per Share. Pursuant to SFAS 128, unvested stock is excluded from basic earnings per share and included in diluted earnings per share if dilutive. The unaudited historical pro forma net loss per share is calculated by dividing the historical net loss by the unaudited pro forma weighted-average common

F7  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

shares outstanding. The unaudited pro forma weighted-average common shares outstanding was determined assuming a distribution of one share of Delta Apparel common stock for every ten shares of DWI stock outstanding on the record date. The weighted-average shares do not include securities that would be antidilutive for each of the periods presented.

(l) COTTON PROCUREMENTS

The Company contracts to buy cotton with future delivery dates at fixed prices in order to reduce the effects of fluctuations in the prices of cotton used in the manufacture of its products. These contracts permit settlement by delivery and are not used for trading purposes. The Company commits to fixed prices on a percentage of its cotton requirements up to eighteen months in the future. If market prices for cotton fall below the Company's committed fixed costs and it is estimated that the costs of cotton are not recoverable in future sales of finished goods, the differential is charged to income at that time.

(m) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, SFAS 130, Reporting Comprehensive Income, was issued and was adopted by the Company as of July 1, 1998. SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that an enterprise (a) classify items of other comprehensive income by their nature in financial statements and (b) display the accumulated balance of other comprehensive income separately from accumulated deficit and additional paid-in capital in the equity section of statements of financial position. Comprehensive income is defined as the change in equity during the financial reporting period of a business enterprise resulting from nonowner sources. Comprehensive income approximates the net loss for all periods presented.

In June 1997, the FASB issued SFAS 131, Disclosures about Segments of an Enterprise with Related Information. SFAS 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. SFAS 131 is

effective for financial statements for fiscal years beginning after December 31, 1997. The Company does not believe it has any reportable segments.

In June 1998, the FASB issued SFAS 133, Accounting for Derivative Instruments and Hedging Activities which was subsequently deferred by SFAS 137. SFAS 133 establishes accounting and reporting standards for

F8  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 is effective for all fiscal years beginning after June 15, 2000. The Company will determine the applicability of SFAS 133 and apply it if necessary.

F9

<TABLE>  
<CAPTION>

DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

(3) INVENTORIES

Inventories consist of the following:

	JULY 3, 1999	JUNE 27, 1998
	-----	-----
<S>	<C>	<C>
Raw materials	\$ 2,731	4,588
Work in process	7,768	9,073
Finished goods	16,535	18,628
	-----	-----
	\$ 27,034	32,289
	=====	=====

</TABLE>

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<TABLE>  
<CAPTION>

	ESTIMATED USEFUL LIFE	JULY 3, 1999	JUNE 27, 1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Land and land improvements	N/A	\$ 1,778	1,946
Buildings	20 years	12,043	14,202
Machinery and equipment	10-15 years	57,825	62,871
Computers and software	3 years	2,310	3,502
Furniture and fixtures	7 years	432	1,614
Leasehold improvements	3-10 years	733	750
Automobiles	5 years	50	202
Construction in progress	N/A	63	2,844
		-----	-----
		75,234	87,931
Less accumulated depreciation			

and amortization	(43,793)	(47,424)
	-----	-----
	\$ 31,441	40,507
	=====	=====

</TABLE>

F10  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

<TABLE>  
<CAPTION>  
(5) ACCRUED EXPENSES

Accrued expenses consist of the following:

	JULY 3, 1999	JUNE 27, 1998
	-----	-----
<S>	<C>	<C>
Accrued employee compensation and benefits	\$ 2,619	2,091
Taxes accrued and withheld	699	604
Accrued insurance	1,016	984
Accrued advertising	333	45
Other	692	552
	-----	-----
	\$ 5,359	4,276
	=====	=====

</TABLE>

(6) LONG-TERM DEBT

Long-term debt consists of the following:

	JULY 3, ----- 1999	JUNE 27, ----- 1998
	-----	-----
<S>	<C>	<C>
Promissory note secured by property and a lien upon certain real property of the Company, interest at 86.67% of the prime rate (6.93% at July 3, 1999) and 72% of the prime rate (7.4% at June 27, 1998) payable monthly, principal payable in monthly installments of \$20 with final payment due December 1, 2000	\$ 339	578
Less current installments	239	239
	-----	-----
Long-term debt, excluding current installments	\$ 100	339
	=====	=====

</TABLE>

The aggregate maturities of long-term debt are as follows:

Fiscal year	
-----	
2000	\$239
2001	100
	-----
	\$339
	=====

F11  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

(7) INCOME TAXES

The Company's operations are included in the consolidated Federal tax return of DWI. The Federal income tax obligation or refund under the corporate tax sharing arrangement that is allocated to the Company is substantially determined as if the Company was filing a separate Federal income tax return. The Company's Federal tax liability or receivable is paid to or is received from DWI.

Federal and state income tax expense (benefit) was as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED		
	JULY 3, 1999	JUNE 27, 1998	JUNE 28, 1997
<S>	<C>	<C>	<C>
Current:			
Federal		--	--
State	(90)	108	457
Total current	(90)	108	457
Deferred:			
Federal	-	-	(572)
State	---	---	(93)
Total deferred	---	---	(665)
Income tax expense (benefit)	(90)	108	(208)

A reconciliation between actual income tax benefit and the income tax benefit computed using the Federal statutory income tax rate of 35% is as follows:

	YEAR ENDED		
	JULY 3, 1999	JUNE 27, 1998	JUNE 28, 1997
<S>	<C>	<C>	<C>
Income tax benefit at the statutory rate	(6,748)	(8,470)	(4,294)
State income tax expense (benefit) net of			
Federal income taxes	(59)	70	237
Valuation allowance adjustments	6,112	5,217	4,326
Nondeductible amortization and			
other permanent differences	127	2,538	--
Other	478	753	(477)
Income tax expense(benefit)	(90)	108	(208)

</TABLE>

F12  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

Significant components of the Company's deferred tax assets and liabilities computed under the corporate tax sharing arrangement are as follows:

<TABLE>  
<CAPTION>

	JULY 3, 1999	JUNE 27, 1998
	-----	-----
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carryforward	\$ 15,208	13,775
Investment tax credit	617	617
Currently nondeductible accruals	2,841	1,494
Other	203	--
	-----	-----
Gross deferred tax assets	18,869	15,886
Less valuation allowance	(15,068)	(8,956)
	-----	-----
Net deferred tax assets	3,801	6,930
	-----	-----
Deferred tax liabilities:		
Depreciation	(3,801)	(6,224)
Other	--	(706)
	-----	-----
Deferred tax liabilities	(3,801)	(6,930)
	-----	-----
Net deferred tax liability	\$ ---	---
	=====	=====

</TABLE>

The valuation allowance for deferred tax assets as of July 3, 1999 and June 27, 1998 was \$15,068 and \$8,956, respectively. The net change in the total valuation allowance for the years ended July 3, 1999 and June 27, 1998 was an increase of \$6,112 and \$5,217, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets would be realized if the Company were filing a separate Federal income tax return. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at July 3, 1999. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

As of July 3, 1999, the Company had regular tax loss carryforwards of approximately \$30 million and \$7.9 million in loss carryforwards subject to limitations, for Federal purposes as calculated under the corporate tax sharing arrangement. The Company also has state net operating loss carryforwards of approximately \$26 million calculated under the corporate tax sharing arrangement. These carryforwards expire at various intervals through 2019. If the Company leaves its current consolidated group, these carryovers may not be available for future use.

F13  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

(8) AFFILIATED PARTY TRANSACTIONS

Due to (from) related parties consists of the following:

<TABLE>  
<CAPTION>

JULY 3, 1999	JUNE 27, 1998
-----	-----



<S>	<C>	<C>
Delta Woodside Industries, Inc., including Delta Mills, Inc.	139,525	130,370
Stevcoknit Fabrics, a division of Delta Mills, Inc.	--	(83)
Duck Head Apparel Company	(85)	(35)
Delta Mills Marketing, a division of Delta Mills, Inc.	23	--
	-----	-----
	139,463	130,252
	=====	=====

</TABLE>

The Company purchased yarn from Rainsford totaling \$3,087 and \$2,489 in fiscal 1998 and 1997, respectively. In addition, the Company had sales to Duck Head Apparel Company of \$465, \$156, and \$403 in fiscal 1999, 1998, and 1997, respectively.

For fiscal 1998, the balance with DWI is primarily due to a \$60 million note due DWI plus accrued interest of \$7.2 million.

In May 1998, DWI obtained a \$30 million revolving credit facility (subject to borrowing base limitations) which is due in December 1999. This credit facility is backed by certain accounts receivable and inventory, as defined in the credit agreement, of the Company and another division of DWI.

F14  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

(9) LEASES

The Company has several noncancellable operating leases relating to buildings, office equipment, machinery and equipment, and computer systems.

Future minimum lease payments under noncancellable operating leases as of July 3, 1999 were as follows:

FISCAL YEAR	
-----	
2000	1,102
2001	286
2002	22
2003	10
2004	6
	-----
	1,426
	=====

Rent expense for all operating leases was approximately \$1,410, \$1,806, and \$904 for fiscal years 1999, 1998, and 1997, respectively.

(10) EMPLOYEE BENEFIT PLANS

The Company participates in the Delta Woodside Industries, Inc. Retirement and 401(k) Plans. On September 27, 1997, the Delta Woodside Industries Employee Retirement Plan ("Retirement Plan") merged into the Delta Woodside Employee Savings and Investment Plan ("401(k) Plan"). In the 401(k) Plan, employees may elect to convert DWI stock to other funds, but may not increase the amount of DWI stock in their account. Each participant has the right to direct the trustee as to the manner in which DWI shares held are to be voted. The Retirement Plan qualified as an Employee Stock Ownership Plan ("ESOP") under the Internal Revenue Code as a defined contribution plan. The Company contributed approximately \$132, \$71, and \$85 to the 401(k) Plan during fiscal 1999, 1998, and 1997, respectively. The Company contributed approximately \$90, \$155, and \$155 to the Retirement Plan and/or 401(k) Plan during fiscal 1999, 1998, and 1997, respectively.

The Company also participates in a 501(c)(9) trust, the Delta Woodside Employee Benefit Plan and Trust ("Trust"). The Trust collects both employer and employee contributions from the Company and makes disbursements for

health claims and other qualified benefits.

F15  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

The Company participates in a Deferred Compensation Plan, managed by DWI, which permits certain management employees to defer a portion of their compensation. Deferred compensation accounts are credited with interest and are distributed after retirement, disability or employment termination. As of July 3, 1999 and June 27, 1998, the Company's liability was approximately \$481 and \$465, respectively. The Company contributed approximately \$6, \$10, and \$8 to the Deferred Compensation Plan during fiscal 1999, 1998, and 1997, respectively.

The Company also participates in the Delta Woodside Industries, Inc. Incentive Stock Award Plan and Stock Option Plan. Under both Plans, the Company recognized expense of approximately \$521, \$166, and \$164 for fiscal years 1999, 1998, and 1997, respectively.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses financial instruments in the normal course of its business. The carrying values approximate fair values for financial instruments that are short-term in nature, such as cash, accounts receivable, accounts payable and accrued expenses. The Company estimates that the carrying value of the Company's long-term debt approximates fair value based on the current rates offered to the Company for debt of the same remaining maturities.

(12) COMMITMENTS AND CONTINGENCIES

(a) LITIGATION

The Company is a defendant in a legal action involving a product liability claim. The Company believes that, as a result of legal defenses, insurance arrangements, and indemnification provisions with parties believed to be financially capable, this action should not have a material effect on its operations or financial condition.

(b) POSTRETIREMENT BENEFITS

The Company provides postretirement life insurance benefits for certain retired employees. The Plan is noncontributory and is unfunded. Expenses are paid from the general assets of the Company. All the employees in the Plan are fully vested.

The Company has applied the transition provisions of SFAS 106 Employers Accounting for Postretirement Benefits Other Than Pensions and accordingly is recognizing the transition obligation on a straight-line basis over the average remaining life expectancy of the Plan participants, which is 12 years.

The postretirement liability recognized on the balance sheet was \$1,200 and \$446 for fiscal years 1999 and 1998, respectively. This was determined based on the total liability due the participants of approximately \$2,200 less claims paid to date using a discount rate of 6.8%. In 1999, based upon an actuarial determination, the present value of the remaining obligation was determined to be \$1,200 therefore the Company chose to accelerate the recognition of the liability. The remaining liability will be recognized through fiscal 2003.

F16  
DELTA APPAREL COMPANY  
(as described in Note 1)

Three Years ended July 3, 1999

(Amounts in thousands)

(c) COTTON PROCUREMENTS

The Company has entered into agreements, and has fixed prices, to purchase cotton for use in its manufacturing operations. At July 3, 1999, minimum payments under these contracts with non-cancelable contract terms were \$14,800.

(13) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Presented below is a summary of the unaudited combined quarterly financial information for the years ended July 3, 1999 and June 27, 1998:

<TABLE>  
<CAPTION>

	1999 QUARTER ENDED			
	SEPTEMBER 28	DECEMBER 26	MARCH 29	JUNE 28
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 25,131	17,950	20,598	43,100
Gross profit	4,076	1,180	(695)	1,093
Operating income (loss)	667	(1,290)	(3,362)	(5,717)
Net loss	(1,520)	(3,496)	(5,788)	(8,386)

</TABLE>

<TABLE>  
<CAPTION>

	1998 QUARTER ENDED			
	SEPTEMBER 28	DECEMBER 26	MARCH 29	JUNE 28
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 26,550	21,939	25,524	33,954
Gross profit	(647)	(316)	2,624	2,439
Operating loss	(3,770)	(3,631)	(8,322)	(2,097)
Net loss	(4,004)	(3,325)	(7,541)	(9,437)

</TABLE>

During the fourth quarter of fiscal year 1999, the Company recognized an impairment loss of \$1,415 on certain property and equipment that was written down to estimated net realizable value.

During the third quarter of fiscal year 1998, the Company recognized impairment of the excess cost over assigned value of net assets acquired by charging pretax income for \$7,459.

F17

<TABLE>  
<CAPTION>

DELTA APPAREL COMPANY  
Condensed Combined Balance Sheet  
(Amounts in thousands)  
(unaudited)

	JANUARY 1, 2000
<S>	<C>
Assets	
Current Assets:	
Cash	\$ 69
Accounts and other receivables, net	13,973
Inventories	29,449
Prepaid expenses and other current assets	914
Total current assets	44,405
Property, plant and equipment, net	29,142
Other assets	175

	----- \$ 73,722 =====
LIABILITIES AND DIVISIONAL DEFICIT	
Current Liabilities:	
Current installments on long-term debt	\$ 219
Accounts payable and accrued liabilities	10,930
Due to affiliates	99,178
Income taxes payable	222
	-----
Total current liabilities	110,549
Long-term debt	30,417
Other long-term liabilities	520
	-----
Total liabilities	141,486
Divisional deficit	(67,764)
	----- \$ 73,722 =====

</TABLE>

See accompanying notes to condensed combined financial statements.

F18

<TABLE>  
<CAPTION>

DELTA APPAREL COMPANY

Condensed Combined Statements of Operations and Accumulated Divisional Deficit  
(Amounts in thousands, except per share amounts)  
(unaudited)

	FOR THE SIX MONTHS ENDED	
	JANUARY 1, 2000	DECEMBER 26, 1998
	----- <C>	----- <C>
<S> Net sales	\$ 50,221	43,081
Cost of goods sold	43,511	37,825
	-----	-----
Gross profit	6,710	5,256
Selling, general and administrative expenses	3,679	5,561
Other expenses	12	318
	-----	-----
Operating income	3,019	(623)
	-----	-----
Interest expense, net	4,286	4,416
	-----	-----
Loss before taxes	(1,267)	(5,039)
Income tax benefit	(59)	(23)
	-----	-----
Net loss	(1,208)	(5,016)
Accumulated divisional deficit, beginning of period	(66,556)	(47,366)
	-----	-----
Accumulated divisional deficit, end of period	\$ (67,764)	(52,382)
	=====	=====
Pro forma net loss per share (note 4)		
Basic and diluted	\$ 0.50	
	=====	
Basic and diluted weighted-average		

common shares outstanding

2,400,000

=====

</TABLE>

See accompanying notes to condensed combined financial statements.

F19

<TABLE>  
<CAPTION>

DELTA APPAREL COMPANY

Condensed Combined Statement of Cash Flows  
(Amounts in thousands)  
(unaudited)

	FOR THE SIX MONTHS ENDED	
	JANUARY 1, 2000	DECEMBER 26, 1998
	<C>	<C>
Operating activities:		
Net loss	\$ (1,208)	(5,016)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	3,293	2,814
Loss (gain) on sale of property and equipment	6	842
Other	38	70
Changes in operating assets and liabilities		
Accounts receivable	10,326	9,394
Inventories	(2,415)	(8,750)
Prepaid expenses and other current assets	(42)	(71)
Other noncurrent assets	44	(29)
Accounts payable and accrued expenses	301	(4,976)
Income taxes payable	312	(67)
Net cash provided by (used in) operating activities	10,655	(5,789)
Investing activities:		
Purchases of property, plant and equipment	(1,017)	(1,279)
Proceeds from sale of property, plant and equipment	17	---
Net cash used in investing activities	(1,000)	(1,279)
Financing activities:		
Principal payment on long-term debt	(120)	(100)
Change in due to related parties, net	(9,868)	7,104
Net cash provided by (used in) financing activities	(9,988)	7,004
Decrease in cash	(333)	(64)
Cash at beginning of period	402	101
Cash at end of period	\$ 69	37
Supplemental cash flow information:		
Cash paid during the period for interest	\$ 11	24

</TABLE>

See accompanying notes to condensed combined financial statements.

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NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed combined financial statements for the six months ended January 1, 2000 and December 26, 1998, respectively, include the operations and accounts of Delta Apparel Company, a division of Duck Head Apparel Company, Inc., a Tennessee Corporation and Rainsford Yarn Mill, a division of Delta Mills, Inc. Duck Head Apparel, Inc. and Delta Mills, Inc. are wholly owned subsidiaries of DWI. These condensed combined financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. In the opinion of management, the accompanying unaudited interim condensed combined financial statements reflect all adjustments, consisting of only normal, recurring adjustments, necessary to present fairly the financial position of the Company at January 1, 2000, and the results of its operations and its cash flows for the six months ended January 1, 2000 and December 26, 1998, respectively. The results for the six months ended January 1, 2000 are not necessarily indicative of the expected results for the full year or any future period. The unaudited condensed combined financial statements included herein should be read in conjunction with the combined financial statements and notes thereto included in this filing.

NOTE 2 - INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out) or market. Estimated losses on inventories represent reserves for obsolescence, excess quantities, and irregulars and slow moving inventory. The Company estimates the losses on the basis of its assessment of the inventory's net realizable value based upon current market conditions and historical experience.

Inventories consist of the following:

	JANUARY 1, 2000
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Raw materials	2,091
Work in process	10,236
Finished goods	17,122
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	29,449
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NOTE 3 - COTTON PROCUREMENTS

Delta Apparel has entered into agreements, and has fixed prices, to purchase cotton for use in its manufacturing operations. At January 1, 2000 minimum payments under these contracts with non-cancelable contract terms were \$12.9 million.

NOTE 4 - COMPUTATION OF PRO FORMA NET LOSS PER SHARE

The Company has presented the unaudited historical pro forma net loss per share pursuant to SFAS 128, Earnings per Share. Pursuant to SFAS 128, unvested stock is excluded from basic earnings per share and included in diluted earnings per share if dilutive. The unaudited historical pro forma net loss per share is calculated by dividing the historical net loss by the unaudited pro forma weighted-average common shares outstanding. The unaudited pro forma weighted-average common shares outstanding was determined assuming a distribution of one share of Delta Apparel common stock for every ten shares of DWI stock outstanding on the record date. The weighted-average shares do not include securities that would be antidilutive for each of the periods presented.