

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10/A
(Amendment No. 3)

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 58-2508794

(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

(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 -----
Common Stock, par value \$0.01	American Stock Exchange
Common Stock Purchase Rights	American Stock Exchange

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

None

1

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 Nine Months of Fiscal Year 2000 versus First Nine 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"

2

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"

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.

3

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements

See Index to Financial Statements
Exhibit 99.2

(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.*
 - 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).
- 4
- 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.*
 - 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.)
 - 10.8.1 Collateral Assignment of Acquisition Agreements dated May 16, 2000 by and among DH Apparel Company, Inc., Delta Apparel, Inc. in favor of Congress Financial Corporation (Southern).

- 10.8.2 Loan and Security Agreement by and between Congress Financial Corporation (Southern), Delta Apparel, Inc., dated May 16, 2000 (excluding exhibits and schedules).
- 10.8.3 Term Promissory Note in the principal amount of \$10,000,000 dated May 16, 2000 by Delta Apparel, Inc. in favor of Congress Financial Corporation (Southern).
- 10.8.4 Pledge and Security Agreement dated May 16, 2000 by Delta Apparel, Inc. by and in favor of Congress Financial Corporation (Southern) (excluding exhibits and schedules).
- 10.8.5 Trademark Security Agreement dated May 16, 2000 by and between Delta Apparel, Inc. and Congress Financial Corporation (Southern) (excluding exhibits and schedules).
- 21.1 Subsidiaries of the Company.*
- 27.1 Financial Data Schedule (electronic filing only).

5

- 99.1 Information Statement of Delta Apparel, Inc.
- 99.2 Valuation and Qualifying Accounts
- * Previously filed with initial filing, Amendment No. 1 or Amendment No. 2.

The registrant agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule or exhibit to any of the above filed exhibits upon request of the Commission.

6

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: May 24, 2000

By: /s/ Herbert M. Mueller

 Herbert M. Mueller
 Vice President,
 Chief Financial Officer
 and Treasurer

7

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EXHIBITS

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8

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.)

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- 99.2 Valuation and Qualifying Accounts

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9

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.

1

"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

2

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.

3

"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,

4

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

5

"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

6

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.

7

"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

8

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
Duck Head Permits	5.12
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 and shall cause Alchem and each other subsidiary (other than Delta Mills, Inc.) that is a creditor with respect to intercompany debt to contribute, as contributions to capital, to one or more direct or indirect subsidiaries of Delta Woodside all net debt amounts owed to Delta Woodside, Alchem or such creditor subsidiary by each of Delta Consolidated Corporation ("Delta Consolidated"), Delta Merchandising, Inc. ("Delta Merchandising"), Duck Head Apparel Company, Inc. ("DHAC"), International Apparel Marketing Corporation ("IAMC"), Cargud, S.A. ("Cargud"), Armonia Textil, S.A. ("Armonia") and Delta Apparel Honduras, S.A. ("Delta Honduras"), and make other contributions of intercompany debt to one or more direct or indirect subsidiaries of Delta Woodside, so that, with respect to all such contributions of intercompany debt, all intercompany debt owed by Duck Head or any of its subsidiaries (except, if any, by Duck Head or any of its subsidiaries to Duck Head or any of its subsidiaries) or by Delta Apparel or any of its subsidiaries (except, if any, by Delta Apparel or any of its subsidiaries to Delta Apparel or any of its subsidiaries) shall no longer exist as of the Effective Time, with the exceptions of

(i) with respect to Duck Head, the lesser of (A) the intercompany debt that is attributable to amounts borrowed since January 1, 2000 from GECC under the Delta Woodside Credit Agreement for use in the Duck Head Apparel Company division's business and that have not been not repaid with funds provided by the Duck Head Apparel Company division or (B) the aggregate amount that will be borrowed by Duck Head under the Duck Head Financing at the closing of the Duck Head Financing to repay GECC under the Delta Woodside Credit Agreement or to pay to Delta Woodside (which borrowing and payments will cancel the intercompany debt described in clause (A)); and

(ii) with respect to Delta Apparel, (A) the lesser of (1) the intercompany debt that is attributable to amounts borrowed since January 1, 2000 from GECC under the Delta Woodside Credit Agreement for use in the Delta Apparel Company division's business and that have not been not repaid with funds provided by the Delta Apparel Company division or (2) the aggregate amount that will be borrowed by Delta Apparel under the Delta Apparel Financing at the closing of the Delta Apparel Financing to repay GECC under the Delta Woodside Credit Agreement or to pay to Delta Woodside (which borrowing and payments will cancel the intercompany debt described in clause (1)) and (B) 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;

provided, however, that any and all obligations and liabilities that arise under this Distribution Agreement or the Tax Sharing Agreement remain and will remain

in existence.

(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 shall transfer, 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. Each of Delta Woodside, Alchem, Delta Consolidated and Cargud, S.A. shall sell to a director of Delta Apparel, to be designated by Delta Apparel, the one share of Delta Apparel Honduras, S.A. that is owned by such selling corporation (provided that each such director enters into a sale agreement with Delta Apparel with respect to such share that is satisfactory to Delta Apparel).

(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, any Delta Apparel Assets already owned by Delta Consolidated, the assets owned by Delta Apparel Honduras, S.A., the assets owned by Delta Apparel 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, including without limitation the Delta Apparel Group Liabilities (collectively, 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

11

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, the Delta Woodside Incentive Stock Award Plan and the Delta Woodside Long Term Incentive Plan, if any) 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, the Duck Head Assets already owned by Duck Head, the Duck Head Assets owned by Delta Consolidated or Delta Apparel, the Duck Head Assets owned by Cargud, S.A. (or any other Costa Rican corporation that is a direct or indirect subsidiary of DHAC) and the Distribution Facility,

located in Winder, GA, that is owned by Delta Woodside and 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 Delta Woodside and various subsidiaries of Delta Woodside, including without limitation the Duck Head Group Liabilities (collectively, 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 Delta Woodside and 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, the Delta Woodside Incentive Stock Award Plan and the Delta Woodside Long Term Incentive Plan, if any) to be transferred to a comparable employee benefit plan of Duck Head.

12

(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 Duck Head 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 portion of 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 (including assumed liabilities) equal to the fair market value of the purchased assets.

(p) DHAC and IAMC shall merge with and into Alchem, with Alchem to be in each case 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 the Distribution Facility, located in Winder, GA, that is owned by Delta Woodside and 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.

(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 cash portion of the purchase price in the Rainsford Plant Purchase and to satisfy Delta Apparel's reasonably anticipated working capital needs.

13

ARTICLE 3

THE DISTRIBUTION

3.1 Cooperation Before the Distribution.

(a) Duck Head.

(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.

(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

preparing and filing with the SEC and causing to become effective any registration statements or amendments

14

thereto that are necessary or appropriate to reflect the establishment of or amendments to any employee benefit and other plans contemplated by the Distribution Documents.

(d) Blue Sky Laws. Delta Woodside, Duck Head and 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 the Distribution Documents.

3.2 Delta Woodside Board Action. The Delta Woodside Board shall, in its

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

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

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.

15

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

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

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

16

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

validly existing under the laws of the State of South Carolina.

4.2 Capitalization. (a) The authorized capital stock of Delta Woodside

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

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

17

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

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.

18

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

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

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

of the date hereof, there is no suit, action or proceeding pending or, to the knowledge of Delta Woodside, threatened

19

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

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

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 had or would have a Delta Woodside Material Adverse Effect.

20

4.10 ERISA. All Delta Woodside Benefit Plans are in compliance with the

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

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

21

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

(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

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

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

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

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

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

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

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

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

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

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

the Duck Head

24

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

25

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

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,

26

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

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,

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

27

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

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

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

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

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 Effective Time the following will be true and accurate:

28

6.1 Organization and Qualification. Delta Apparel is a corporation duly

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

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

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.

29

6.4 No Conflicts, Required Filings and Consents. (a) 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 (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

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.

30

(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

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

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.

31

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

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

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

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

32

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 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,

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

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

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

33

6.14 Undisclosed Liabilities. Except as disclosed in the Delta Apparel

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

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

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;

34

(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.

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 Time of the additional condition,

35

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 a date that is not later than 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. Delta Woodside shall amend the Delta Woodside Stock Option Plan to accomplish the provisions of this paragraph (a), if it deems such amendment advisable.

(b) Prior to the Effective Time, Delta Woodside shall amend the Delta Woodside Stock Option Plan to provide that, so long as a Duck Head employee who holds Delta Woodside Stock Options remains an employee of Duck Head or any of its subsidiaries, those Delta Woodside Stock Options will remain outstanding

36

until the end of their stated term (with the termination of such employment with Duck Head or any of its subsidiaries to be treated in the same manner as a termination of employment with Delta Woodside or any of its subsidiaries would have been) and so long as a Delta Apparel employee who holds Delta Woodside Stock Options remains an employee of Delta Apparel or any of its subsidiaries, those Delta Woodside Stock Options will remain outstanding until the end of their stated term (with the termination of such employment with Delta Apparel or any of its subsidiaries to be treated in the same manner as a termination of employment with Delta Woodside or any of its subsidiaries would have been).

(c) Notwithstanding anything to the contrary herein, if it is determined that compliance with paragraph (a) or (b) 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.

(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.

(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

37

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

38

(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 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.

(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.

39

(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 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 ----- 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.

40

8.6 Deferred Compensation.

(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 ----- 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 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.

(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

(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

41

third party. 8.10 No Right to Continued Employment. Nothing in this Article 8 shall 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.

(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,

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

42

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 an
"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 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.

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 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.

45

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

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

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 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.

46

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

47

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 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

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

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.

48

11.5 Notice of Breaches. Delta Apparel shall give prompt notice to Delta

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

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

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.

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

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

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

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

49

ARTICLE 12

ACCESS TO INFORMATION

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

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

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

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

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

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

50

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

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.

51

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:

52

(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 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.

53

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.

(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

54

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.

(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.

(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.

56

(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 for obligations arising under this Distribution Agreement or the Tax Sharing Agreement, each of the parties hereto represents to each of the other parties hereto that it is not aware of any intercompany receivable, payable or loan balance that will exist as of the Effective Time, following completion of the Intercompany Reorganization, between any member of its Group and any member of either of the other two Groups.

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.

57

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:

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

58

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 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 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.

60

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.

61

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/ E. Erwin Maddrey, II

Title: President & CEO

DH APPAREL COMPANY, INC.

By: /s/ Robert D. Rockey, Jr.

Title: Chairman, President & CEO

DELTA APPAREL, INC.

By: /s/ Robert W. Humphreys

Title: President & CEO

COLLATERAL ASSIGNMENT OF ACQUISITION AGREEMENTS

THIS COLLATERAL ASSIGNMENT OF ACQUISITION AGREEMENTS ("Assignment"), dated May 16, 2000, is by and among DH APPAREL COMPANY, INC., a Georgia corporation ("Duck Head"), with its chief executive office at 1020-A Barrow Industrial Parkway, Winter, Georgia 30680, and DELTA APPAREL, INC., a Georgia corporation ("Delta", and together with Duck Head, each individually, an "Assignor" and collectively, "Assignors"), with its chief executive office at 3355 Breckinridge Boulevard, Suite 100, Duluth, Georgia 30096, in favor of CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation ("Assignee"), having an office at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H:

WHEREAS, each of Assignors has acquired certain assets of Delta Woodside Industries, Inc. ("Seller"), as set forth in the Distribution Agreement, dated March 15, 2000, by and among Seller and Assignors (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Distribution Agreement", together with the other agreements, documents and instruments referred to therein in Section 2.1 thereof or at any time executed and/or delivered in connection with the transactions contemplated by such Section 2.1, collectively, the "Acquisition Agreements");

WHEREAS, Duck Head and Assignee have entered or are about to enter into financing arrangements pursuant to which Assignee may make loans and advances and provide other financial accommodations to Duck Head as set forth in the Loan and Security Agreement, dated of even date herewith, among Duck Head, Delta Merchandising, Inc. and Assignee (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Duck Head Loan Agreement") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, this Assignment (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Duck Head Financing Agreements");

WHEREAS, Delta and Assignee have entered or are about to enter into financing arrangements pursuant to which Assignee may make loans and advances and provide other financial accommodations to Delta as set forth in the Loan and Security Agreement, dated of even date herewith, between Delta and Assignee (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Delta Loan Agreement") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, this Assignment (all of the foregoing, together with the Loan Agreement, as the same now exist

- 1 -

or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Delta Financing Agreements" and together with the Duck Head Financing Agreements, collectively, the "Financing Agreements");

WHEREAS, in order to induce Assignee to make loans and advances and provide other financial accommodations to each Assignor pursuant to each of the Duck Head Loan Agreement and the Delta Loan Agreement and the other Financing Agreements, each Assignor has agreed to grant to Assignee certain collateral security as set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. GRANT OF SECURITY INTEREST AND ASSIGNMENT

As collateral security for the prompt performance, observance and indefeasible payment in full of all of the Obligations (as hereinafter defined), each Assignor hereby assigns, pledges, transfers and sets over to Assignee, and grants to Assignee a continuing security interest in and a general lien upon, all of each of Assignor's now existing or hereafter arising right, title and interest in and to each of the Acquisition Agreements and all proceeds thereunder, including, but not limited to, (a) all rights of each Assignor to receive monies due to become due to it thereunder or in connection therewith; (b) all rights of each Assignor to indemnification and claims for damages or other relief pursuant to such Acquisition Agreements; (c) all rights of each Assignor to perform and exercise all remedies thereunder and to require performance by the other parties thereto; and (d) all proceeds, collections, recoveries and rights of subrogation with respect to the foregoing (all of the foregoing being collectively referred to herein as the "Collateral").

2. OBLIGATIONS SECURED

The assignment, security interest and lien granted to Assignee pursuant to this Assignment shall secure the prompt performance, observance and payment in full of any and all obligations, liabilities and indebtedness of every kind, nature and description owing by each of Assignors to Assignee and/or its affiliates, including principal, interest, charges, fees, premiums, indemnities, and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Assignment, the Duck Head Loan Agreement, the Delta Loan Agreement and the other Financing Agreements, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Duck Head Loan Agreement or the Delta Loan Agreement or after the commencement of any case with respect to any Assignor under the United States Bankruptcy Code or any similar statute (including, without limitation, the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured (all of the foregoing being collectively referred to herein as the "Obligations").

-2-

3. NO ASSUMPTION OF DUTIES

This Assignment is executed only as security for the Obligations and, therefore, the execution and delivery of this Assignment shall not subject Assignee to, or transfer or pass to Assignee, or in any way affect or modify, the liability of Assignors under the Acquisition Agreements. In no event shall the acceptance of this Assignment by Assignee or the exercise by Assignee of any rights hereunder or assigned hereby, constitute an assumption of any liability or obligation of Assignors to any of the other parties to the Acquisition Agreements or any other persons.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Assignor hereby represents, warrants and covenants with and to Assignee the following (all of such representations, warranties and covenants being continuing as long as any of the Obligations are outstanding):

(a) Each of the Acquisition Agreements is and shall be a legal, valid and binding obligation of each Assignor.

(b) As of the date hereof, no default or event of default under or with respect to the Acquisition Agreements exists or has occurred.

(c) Each Assignor has obtained all consents required for the valid and binding assignment of the Acquisition Agreements.

(d) Each Assignor shall promptly and faithfully abide by, perform and discharge in all material respects the obligations, covenants, conditions and duties which the Acquisition Agreements provide are to be performed by each Assignor.

(e) Each of the Acquisition Agreements is in full force and effect and,

without the prior written consent of Assignee, Assignors will not amend, supplement or otherwise modify or terminate any of the terms or provisions of any of the Acquisition Agreements, in any manner that would materially, adversely affect the rights or claims of Assignors or materially, adversely affect any of the Collateral or the rights of Assignors or Assignee with respect thereto; provided, that, unless and until an Event of Default exists or has occurred and is continuing, Assignors may, upon notice thereof to Lender, amend, supplement or otherwise modify or terminate any of the terms or provisions of the Acquisition Agreements so long as either (i) such amendment, supplement, modification or termination does not waive, release or limit any rights or claims of Assignors or increase the obligations of Assignors or make any terms thereof more restrictive or burdensome to Assignors or in any manner adversely affect Assignee or any rights of Assignee as determined in good faith by Assignee and confirmed by Assignee to Assignors in writing or (ii) Assignee has consented in writing to such amendment, supplement, modification or termination.

-3-

(f) At Assignors' sole cost and expense, Assignors shall appear in and defend any action or proceedings affecting Assignee and arising under, growing out of or in any manner connected with the obligations, covenants, conditions, duties, agreements or liabilities of Assignors under the Acquisition Agreements.

(g) Each Assignor shall: (i) promptly notify Assignee of each and every dispute with, proceeding or claim against, cause of action or litigation involving any person for which any Assignor has or may have any right to indemnification or claim for damages or other relief or remedies, whether at law or in equity, arising under or in connection with the Acquisition Agreements, (ii) diligently enforce all rights to indemnification or claim for damages or other relief or remedies, whether at law or in equity, arising under or in connection with the Acquisition Agreements and (iii) not take or permit, and has not taken or permitted since the execution of the Acquisition Agreements, any action that adversely affects, in the good faith judgment of Assignee, the Obligations or the Collateral.

(h) Each Assignor shall promptly deliver or cause to be delivered a copy of every written notice or communication received by such Assignor pursuant to any of the Acquisition Agreements to Assignee in the manner and at the place provided for notices contained herein.

(i) In no event shall any Assignor without the prior written consent of Assignee, waive in any material respect, or release or discharge any of its rights or any of the obligations, duties or liabilities of any other party to the Acquisition Agreements, or compromise or settle any right or any claim or dispute with respect to any of its rights or any of the obligations, duties or liabilities of any other party to the Acquisition Agreements. No such waiver, release, discharge, compromise or settlement shall be effective without the prior written consent of Assignee.

5. EVENTS OF DEFAULT

All Obligations shall become immediately due and payable, without notice or demand, at the option of Assignee, upon the occurrence of any Event of Default, as such term is defined in the Duck Head Loan Agreement or the Delta Loan Agreement (each an "Event of Default" hereunder).

6. RIGHTS AND REMEDIES

(a) At any time an Event of Default exists or has occurred and is continuing, Assignee shall have the absolute right to enforce, in its name, any and all rights to indemnification or claim for damages or other relief or remedies, whether at law or in equity, arising under or in connection with the Acquisition Agreements, or otherwise and apply the proceeds thereof to the Obligations in such order or manner as Assignee shall determine.

-4-

(b) In order to effectuate the foregoing, each Assignor, for itself and its respective successors and assigns, hereby constitutes and appoints Assignee and each officer and employee thereof as its attorney-in-fact with power to assert claims and commence and prosecute suit against any Person or to settle or compromise any such claim or suit relating to any such right, claim, relief or

remedy, and to sign and file any and all papers required in connection therewith and to take any and all other action which Assignee may, in its good faith discretion, deem appropriate. Each Assignor hereby ratifies and approves all acts which Assignee or any officer or employee thereof as attorney may do and this power of attorney, being coupled with an interest, is irrevocable as long as any of the Obligations remain outstanding.

(c) No failure to exercise, and no delay in exercising on the part of Assignee any right, power or privilege under this Assignment, the Loan Agreement or under any of the other Financing Agreements or other documents referred to herein or therein shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power and privilege. The rights and remedies of Assignee under this Assignment, the other Financing Agreements or applicable law, are cumulative and not exclusive and all such rights and remedies may be exercised alternatively, successively or concurrently.

7. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

(a) The validity, interpretation and enforcement of this Assignment and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia (without giving effect to principles of conflicts of law).

(b) Assignor and Assignee irrevocably consent and submit to the non-exclusive jurisdiction of the Superior Court of Fulton County, Georgia and the United States District for the Northern District of Georgia and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Assignment or any of the other Financing Agreements or in any way connected or related or incidental to the dealings of each Assignor and Assignee in respect of this Assignment or the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or thereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Assignee shall have the right to bring any action or proceeding against any Assignor or its property in the courts of any other jurisdiction which Assignee deems necessary or appropriate in order to realize on any collateral granted to Assignee or to otherwise enforce its rights against each Assignor or its property).

-5-

(c) Each Assignor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed ten (10) days after the same shall have been so deposited in the U.S. mails, or, at Assignee's option, by service upon Assignor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Assignor shall appear in answer to such process, failing which such Assignor shall be deemed in default and judgment may be entered by Assignee against such Assignor for the amount of the claim and other relief requested.

(d) EACH ASSIGNOR AND ASSIGNEE HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS ASSIGNMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT TO THIS ASSIGNMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. EACH ASSIGNOR AND ASSIGNEE HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT EACH ASSIGNOR OR ASSIGNEE MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS ASSIGNMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF SUCH ASSIGNOR AND ASSIGNEE TO THE WAIVER OF THEIR RIGHTS TO TRIAL BY JURY.

8. MISCELLANEOUS

(a) All notices, requests and demands hereunder shall be in writing and shall be deemed to have been duly given or made: if delivered in person, immediately upon delivery; if by telex, telegram, or facsimile transmission,

immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to Assignors: DH Apparel Company, Inc.
1020-A Barrow Industrial Parkway
Winter, Georgia 30680
Attention: Chief Financial Officer

Delta Apparel, Inc.
3355 Breckinridge Boulevard
Suite 100
Duluth, Georgia 30096
Attention: Chief Financial Officer

-6-

If to Assignee: Congress Financial Corporation
(Southern)
200 Galleria Parkway, Suite 1500
Atlanta, Georgia 30339
Attention: Portfolio Manger

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Assignor and Assignee herein shall include their respective successors and assigns. All references to the term "Person" or "person" herein shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), limited liability company, limited liability corporation, limited liability partnership, business trust, unincorporated association, joint stock company, trust, joint venture or other entity or any government or any agency instrumentality or political subdivision thereof.

(c) No provision hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

(d) This Assignment shall be binding upon each Assignor and its successors and assigns and inure to the benefit of and be enforceable by Assignee and its successors and assigns.

(e) If any provision of this Assignment is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Assignment as a whole but this Assignment shall be construed as though it did not contain the particular provision or provisions held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by law.

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-7-

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by persons duly authorized, as of the date first above written.

ASSIGNORS:

DH APPAREL COMPANY, INC.

By: /s/ K. Scott Grassmyer

Title: Sr. Vice President & CFO

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President & CFO

ASSIGNEE:

CONGRESS FINANCIAL CORPORATION
(SOUTHERN)

By: /s/ Daniel Cott

Title: Executive Vice President

LOAN AND SECURITY AGREEMENT

by and between

CONGRESS FINANCIAL CORPORATION (SOUTHERN)
as Lender

and

DELTA APPAREL, INC.
as Borrower

Dated: May 16, 2000

TABLE OF CONTENTS

<TABLE>

	Page

<S>	<C>
SECTION 1	DEFINITIONS1
SECTION 2	CREDIT FACILITIES19
2.1	Revolving Loans19
2.2	Letter of Credit Accommodations20
2.3	Term Loan23
SECTION 3	INTEREST AND FEES23
3.1	Interest.23
3.2	Closing Fee25
3.3	Servicing Fee25
3.4	Unused Line Fee25
3.5	Changes in Laws and Increased Costs of Loans.25
SECTION 4	CONDITIONS PRECEDENT27
4.1	Conditions Precedent to Initial Loans and Letter of Credit Accommodations27
4.2	Conditions Precedent to All Loans and Letter of Credit Accommodations30
SECTION 5	GRANT OF SECURITY INTEREST31
SECTION 6	COLLECTION AND ADMINISTRATION32
6.1	Borrower's Loan Account32
6.2	Statements32
6.3	Collection of Accounts32
6.4	Payments33
6.5	Authorization to Make Loans34
6.6	Use of Proceeds34
SECTION 7	COLLATERAL REPORTING AND COVENANTS35
7.1	Collateral Reporting35
7.2	Accounts Covenants35
7.3	Inventory Covenants37
7.4	Equipment and Real Property Covenants37

7.5	Power of Attorney	38
7.6	Right to Cure	39
7.7	Access to Premises	39
7.8	Bills of Lading and Other Documents of Title.....	40

(i)

SECTION 8	REPRESENTATIONS AND WARRANTIES	40
8.1	Corporate Existence, Power and Authority; Subsidiaries.....	40
8.2	Financial Statements; No Material Adverse Change.	41
8.3	Chief Executive Office; Collateral Locations.	41
8.4	Priority of Liens; Title to Properties	41
8.5	Tax Returns	41
8.6	Litigation	42
8.7	Compliance with Other Agreements and Applicable Laws	42
8.8	Environmental Compliance	43
8.9	Employee Benefits.	43
8.10	Bank Accounts	44
8.11	Intellectual Property	44
8.12	Acquisition of Assets	45
8.13	Solvency	45
8.14	Labor Disputes	46
8.15	Corporate Name; Prior Transactions	46
8.16	Restrictions on Subsidiaries	46
8.17	Material Contracts	46
8.18	Accuracy and Completeness of Information.	46
8.19	Survival of Warranties; Cumulative	46
SECTION 9	AFFIRMATIVE AND NEGATIVE COVENANTS	47
9.1	Maintenance of Existence	47
9.2	New Collateral Locations	47
9.3	Compliance with Laws, Regulations, Etc.	47
9.4	Payment of Taxes and Claims	48
9.5	Insurance	49
9.6	Financial Statements and Other Information	49
9.7	Sale of Assets, Consolidation, Merger, Dissolution, Etc.	51
9.8	Encumbrances	52
9.9	Indebtedness	53
9.10	Loans, Investments, Guarantees, Etc.	53
9.11	Dividends and Redemptions	55
9.12	Transactions with Affiliates	56
9.13	Additional Bank Accounts	57
9.14	Compliance with ERISA.	57
9.15	End of Fiscal Years: Fiscal Quarters	57
9.16	Change in Business.....	57
9.17	Limitation of Restrictions Affecting Subsidiaries	57
9.18	Existing Real Property; After Acquired Real Property	58
9.19	Costs and Expenses	59
9.20	Further Assurances	59
9.21	Year 2000 Compliance	59

(ii)

SECTION 10	EVENTS OF DEFAULT AND REMEDIES	60
10.1	Events of Default	60
10.2	Remedies	62
SECTION 11	JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW.....	63
11.1	Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver	63
11.2	Waiver of Notices	65
11.3	Amendments and Waivers	65
11.4	Waiver of Counterclaims	65
11.5	Indemnification	65
SECTION 12	TERM OF AGREEMENT; MISCELLANEOUS	66
12.1	Term	66
12.2	Interpretative Provisions	67
12.3	Notices	68
12.4	Partial Invalidity	68
12.5	Successors	68
12.6	Entire Agreement	69

</TABLE>

(iii)

INDEX TO
EXHIBITS AND SCHEDULES

Exhibit A	Information Certificate
Exhibit B	Applicable Margins for Interest Rate Calculation
Schedule 1.15	Customs Brokers
Schedule 1.30	Existing Letters of Credit
Schedule 1.31	Existing Real Property
Schedule 1.60	Permitted Holders
Schedule 8.2	Pro Forma Balance Sheet and Cash Flow Projections
Schedule 8.4	Existing Liens
Schedule 8.7	Permits
Schedule 8.8	Environmental Matters
Schedule 8.10	Bank Accounts
Schedule 8.11	Licensed Intellectual Property
Schedule 8.14	Labor Matters
Schedule 8.17	Material Contracts
Schedule 9.9	Existing Indebtedness
Schedule 9.10	Existing Loans, Advances and Guarantees

(i)

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement dated May 16, 2000 is entered into by and between Congress Financial Corporation (Southern), a Georgia corporation ("Lender") and Delta Apparel, Inc., a Georgia corporation ("Borrower").

W I T N E S S E T H :

WHEREAS, Borrower has requested that Lender enter into certain financing arrangements with Borrower pursuant to which Lender may make loans and provide other financial accommodations to Borrower; and

WHEREAS, Lender is willing to make such loans and provide such financial accommodations on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

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

1.1 "Accounts" shall mean all present and future rights of Borrower to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2 "Adjusted Eurodollar Rate" shall mean, with respect to each Interest Period for any Eurodollar Rate Loan, the rate per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) determined by dividing (a) the Eurodollar Rate for such Interest Period by (b) a percentage equal to: (i) one (1) minus (ii) the Reserve Percentage. For purposes hereof, "Reserve Percentage" shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of United States dollars in a non-United States or an international banking office of Reference Bank used to fund a Eurodollar Rate Loan or any Eurodollar Rate Loan made with the proceeds of such deposit, whether or not the Reference Bank actually holds or has made any such deposits or loans. The Adjusted Eurodollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

1

1.3 "Affiliate" shall mean, with respect to a specified Person, any other Person (a) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified person; (b) which beneficially owns or holds five (5%) percent or more of any class of the Voting Stock or other equity interest of such specified person; or (c) of which five (5%) percent or more of the Voting Stock or other equity interest is beneficially owned or held by such specified person or a Subsidiary of such specified person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") when used with respect to any specified person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of Voting Stock, by agreement or otherwise.

1.4 "Blocked Accounts" shall have the meaning set forth in Section 6.3 hereof.

1.5 "Borrowing Base" shall mean, at any time, the amount equal to: (a) eighty-five (85%) percent of the Net Amount of Eligible Accounts, plus (b) the lesser of: (i) fifty-five (55%) percent of the Value of Eligible Inventory consisting of finished goods, raw materials consisting of raw cotton and yarn for such finished goods, and finished yarn categorized as work-in-process, or (ii) Inventory Loan Limit, less (c) any Reserves. For purposes only of applying the sublimit on Revolving Loans based on Eligible Inventory set forth clause (b)(ii) above, Lender may treat the then undrawn amounts of outstanding Letter of Credit Accommodations for the purpose of purchasing Eligible Inventory as Revolving Loans to the extent Lender is in effect basing the issuance of the Letter of Credit Accommodations on the Value

of the Eligible Inventory being purchased with such Letter of Credit Accommodations. In determining the actual amounts of such Letter of Credit Accommodations to be so treated for purposes of the sublimit, the outstanding Revolving Loans and Reserves shall be attributed first to any components of the lending formulas set forth above that are not subject to such sublimit, before being attributed to the components of the lending formulas subject to such sublimit.

1.6 "Business Day" shall mean any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the State of New York, the State of Georgia or the State of North Carolina, and a day on which the Reference Bank and Lender are open for the transaction of business, except that if a determination of a Business Day shall relate to any Eurodollar Rate Loans, the term Business Day shall also exclude any day on which banks are closed for dealings in dollar deposits in the London interbank market or other applicable Eurodollar Rate market.

1.7 "Capital Expenditures" shall mean, with respect to any Person, all expenditures made and liabilities incurred for the acquisition of assets which are not, in accordance with GAAP, treated as expense items for such Person in the year made or incurred or as a prepaid expense applicable to a future year or years.

1.8 "Capital Leases" shall mean, as applied to any Person, any lease of (or any agreement conveying the right to use) any property (whether real, personal or mixed) by such

2

Person as lessee which in accordance with GAAP, is required to be reflected as a liability on the balance sheet of such Person.

1.9 "Capital Stock" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock, partnership interests or limited liability company interests at any time outstanding, and any and all rights, warrants or options exchangeable for or convertible into such capital stock or other interests (but excluding any debt security that is exchangeable for or convertible into such capital stock).

1.10 "Cash Equivalents" shall mean, at any time, (a) any evidence of Indebtedness with a maturity date of one hundred eighty (180) days or less issued or directly and fully guaranteed or insured by the United States of America of any agency or instrumentality thereof; provided, that, the full faith and credit of the United States of America is pledged in support thereof; (b) certificates of deposit or bankers' acceptances with a maturity of one hundred eighty (180) days or less of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than \$250,000,000; (c) commercial paper (including variable rate demand notes) with a maturity of one hundred eighty (180) days or less issued by a corporation (except an Affiliate of Borrower) organized under the laws of any State of the United States of America or the District of Columbia and rated at least A-1 by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. or at least P-1 by Moody's Investors Service, Inc.; (d) repurchase obligations with a term of not more than thirty (30) days for underlying securities of the types described in clause (a) above entered into with any financial institution having combined capital and surplus and undivided profits of not less than \$250,000,000; (e) repurchase agreements and reverse repurchase agreements relating to marketable direct obligations issued or unconditionally guaranteed by the United States of America or issued by any governmental agency thereof and backed by the full faith and credit to the United States of America, in each case maturing within one hundred eighty (180) days or less from the date of acquisition; provided, that, the terms of such agreements comply with the guidelines set forth in the Federal Financial Agreements of Depository Institutions with Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985; and (f) investments in money market funds and mutual funds which invest substantially all of their assets in securities of the types described in clauses (a) through (e) above.

1.11 "Change of Control" shall mean (a) the transfer (in one transaction or a series of transactions) of all or substantially all of the assets of Borrower to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act); (b) the liquidation or dissolution of Borrower or the adoption of a plan by the stockholders of Borrower relating to the dissolution or liquidation of

Borrower; (c) the acquisition by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), except for one or more Permitted Holders, of beneficial ownership, directly or indirectly, of fifty (50%) percent or more of the voting power of the total outstanding Voting Stock of Borrower or the Board of Directors of Borrower; or (d) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Borrower (together with any new directors who have been appointed by any Permitted Holder, or whose nomination for election by the stockholders of Borrower, as the

3

case may be, was approved by a vote of at least sixty-six and two-thirds (66 2/3%) percent of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Borrower then still in office.

1.12 "Code" shall mean the Internal Revenue Code of 1986, together with all rules, regulations and interpretations thereunder or related thereto.

1.13 "Collateral" shall have the meaning set forth in Section 5 hereof.

1.14 "Collateral Access Agreement" shall mean an agreement in writing, in form and substance satisfactory to Lender, from any lessor of premises to Borrower, or any other person to whom any Collateral (including Inventory, Equipment, bills of lading or other documents of title) is consigned or who has custody, control or possession of any such Collateral or is otherwise the owner or operator of any premises on which any of such Collateral is located, pursuant to which such lessor, consignee or other person, inter alia, acknowledges the first priority security interest of Lender in such Collateral, agrees to waive any and all claims such lessor, consignee or other person may, at any time, have against such Collateral, whether for processing, storage or otherwise, and agrees to permit Lender access to, and the right to remain on, the premises of such lessor, consignee or other person so as to exercise Lender's rights and remedies and otherwise deal with such Collateral and in the case of any person who at any time has custody, control or possession of any bills of lading or other documents of title, agrees to hold such bills of lading or other documents as bailee for Lender and to follow all instructions of Lender with respect thereto.

1.15 "Customs Brokers" shall mean the persons listed on Schedule 1.15 hereto or such other person as may be selected by Borrower after the date hereof and after written notice by Borrower to Lender who is reasonably acceptable to Lender, provided, that, as to each such person (including those listed on such Schedule), Borrower has used reasonable efforts to obtain a Collateral Access Agreement duly authorized, executed and delivered by such person.

1.16 "Distribution Agreements" shall mean, individually and collectively, (a) the Distribution Agreement, dated as of March 15, 2000 by and among Woodside, DH Apparel Company, Inc. and Borrower (the "DWI Distribution Agreement") and (b) Deed, dated as of the date hereof, from Delta Mills, Inc. to Borrower, with respect to the real property located in Edgefield, South Carolina, the Bill of Sale, Assignment and Assumption Agreement, dated the date hereof, made by Delta Mills, Inc., as Seller and Borrower, as Purchaser, and the Agreement for the Purchase and Sale of Property dated April 1, 2000, by and between Delta Mills, Inc., as Seller and Borrower, as Buyer, and (c) all bills of sale, quitclaim deeds, assignment and assumption agreements and such other instruments of transfer as are referred to in the agreements described in clause (a) and (b) above and all side letters with respect thereto, and all agreements, documents and instruments executed and/or delivered in connection therewith, as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced; provided, that, the term "Distribution Agreements" as used herein shall not include any of the "Financing Agreements" as such term is defined herein.

4

1.17 "EBITDA" shall mean, as to any Person, with respect to any period, an amount equal to: (a) the Net Income of such Person and its Subsidiaries for such period on a consolidated basis determined in accordance with GAAP, plus depreciation, amortization and other non-cash charges (including, but not limited to, imputed interest and deferred compensation) for such period (to the extent deducted in the computation of Net Income), all in accordance with GAAP,

plus the Interest Expense for such period (to the extent deducted in the computation of Net Income), plus charges for Federal, Provincial, State, district, municipal, local and foreign income taxes.

1.18 "Eligible Accounts" shall mean Accounts created by Borrower which are and continue to be acceptable to Lender based on the criteria set forth below. In general, Accounts shall be Eligible Accounts if:

(a) such Accounts arise from the actual and bona fide sale and delivery of goods by Borrower or rendition of services by Borrower in the ordinary course of its business which transactions are completed in accordance with the terms and provisions contained in any documents related thereto;

(b) such Accounts are not unpaid more than the earlier of (i) sixty (60) days after the original due date or for them (ii) one hundred twenty (120) days after the date of the original invoice for them (or one hundred fifty (150) days after the date of the original invoice for them for certain account debtors of Borrower which are pre-approved by Lender, on terms and conditions acceptable to Lender);

(c) such Accounts comply with the terms and conditions contained in Section 7.2(c) of this Agreement;

(d) such Accounts do not arise from sales on consignment, guaranteed sale, sale and return, sale on approval, or other terms under which payment by the account debtor may be conditional or contingent;

(e) the chief executive office of the account debtor with respect to such Accounts is located in the United States of America or Canada (provided, that, at any time promptly upon Lender's request, Borrower shall execute and deliver, or cause to be executed and delivered, such other agreements, documents and instruments as may be required by Lender to perfect the security interests of Lender in those Accounts of an account debtor with its chief executive office or principal place of business in Canada in accordance with the applicable laws of the Province of Canada in which such chief executive office or principal place of business is located and take or cause to be taken such other and further actions as Lender may request to enable Lender as secured party with respect thereto to collect such Accounts under the applicable Federal or Provincial laws of Canada) or, at Lender's option, if the chief executive office and principal place of business of the account debtor with respect to such Accounts is located other than in the United States of America or Canada, then if either: (i) the account debtor has delivered to Borrower an irrevocable letter of credit issued or confirmed by a bank satisfactory to Lender and payable only in the United States of America and in U.S. dollars, sufficient to cover such

5

Account, in form and substance satisfactory to Lender and if required by Lender, the original of such letter of credit has been delivered to Lender or Lender's agent and the issuer thereof notified of the assignment of the proceeds of such letter of credit to Lender, or (ii) such Account is subject to credit insurance payable to Lender issued by an insurer and on terms and in an amount acceptable to Lender, or (iii) such Account is otherwise acceptable in all respects to Lender (subject to such lending formula with respect thereto as Lender may determine);

(f) such Accounts do not consist of progress billings (such that the obligation of the account debtors with respect to such Accounts is conditioned upon Borrower's satisfactory completion of any further performance under the agreement giving rise thereto), bill and hold invoices or retainage invoices, except as to bill and hold invoices, if Lender shall have received an agreement in writing from the account debtor, in form and substance satisfactory to Lender, confirming the unconditional obligation of the account debtor to take the goods related thereto and pay such invoice;

(g) the account debtor with respect to such Accounts has not asserted a counterclaim, defense or dispute and does not have, and does not engage in transactions which may give rise to any right of setoff or recoupment against such Accounts (but the portion of the Accounts of such account debtor in excess of the amount at any time and from time to time owed by Borrower to such account debtor or claimed owed by such account debtor may be deemed Eligible Accounts);

(h) there are no facts, events or occurrences which would impair the validity, enforceability or collectability of such Accounts or reduce the amount

payable or delay payment thereunder;

(i) such Accounts are subject to the first priority, valid and perfected security interest of Lender and any goods giving rise thereto are not, and were not at the time of the sale thereof, subject to any liens except those permitted in this Agreement;

(j) neither the account debtor nor any officer or employee of the account debtor with respect to such Accounts is an officer, employee, agent or other Affiliate of Borrower;

(k) the account debtors with respect to such Accounts are not any foreign government, the United States of America, any State, political subdivision, department, agency or instrumentality thereof, unless, if the account debtor is the United States of America, any State, political subdivision, department, agency or instrumentality thereof, upon Lender's request, the Federal Assignment of Claims Act of 1940, as amended or any similar State or local law, if applicable, has been complied with in a manner satisfactory to Lender;

(l) there are no proceedings or actions which are threatened or pending against the account debtors with respect to such Accounts which might result in any material adverse change in any such account debtor's financial condition;

6

(m) such Accounts of a single account debtor or its affiliates do not constitute more than fifteen (15%) percent of all otherwise Eligible Accounts (but the portion of the Accounts not in excess of such percentage may be deemed Eligible Accounts);

(n) such Accounts are not owed by an account debtor who has Accounts unpaid more than the earlier of (i) sixty (60) days after the original due date or for them (ii) one hundred twenty (120) days after the original invoice date for them (or one hundred fifty (150) days after the date of the original invoice for them for certain account debtors of Borrower which are pre-approved by Lender, on terms and conditions acceptable to Lender) which constitute more than fifty (50%) percent of the total Accounts of such account debtor;

(o) the account debtor is not located in a state requiring the filing of a Notice of Business Activities Report or similar report in order to permit Borrower to seek judicial enforcement in such State of payment of such Account, unless Borrower has qualified to do business in such state or has filed a Notice of Business Activities Report or equivalent report for the then current year or such failure to file and inability to seek judicial enforcement is capable of being remedied without any material delay or material cost;

(p) such Accounts are owed by account debtors whose total indebtedness to Borrower does not exceed the credit limit with respect to such account debtors (as determined by Borrower from time to time substantially consistent with its current practices as of the date hereof) by more than twenty (20%) percent and as is reasonably acceptable to Lender (but the portion of the Accounts not in excess of such credit limit may be deemed Eligible Accounts); and

(q) such Accounts are owed by account debtors deemed creditworthy at all times by Borrower consistent with its current practice and who are reasonably acceptable to Lender.

General criteria for Eligible Accounts may be established and revised from time to time by Lender in good faith based on an event, condition or other circumstance arising after the date hereof, or existing on the date hereof to the extent Lender has no written notice thereof from Borrower, which adversely affects or could reasonably be expected to adversely affect the Accounts in the good faith determination of Lender. Any Accounts which are not Eligible Accounts shall nevertheless be part of the Collateral.

1.19 "Eligible Inventory" shall mean Inventory consisting of finished goods held for resale in the ordinary course of the business of Borrower, raw materials for such finished goods and finished yarn categorized as work-in-process, which are acceptable to Lender based on the criteria set forth below. In general, Eligible Inventory shall not include (a) work-in-process (other than finished yarn); (b) raw materials other than yarn and raw cotton; (c) spare parts for equipment; (d) packaging and shipping materials; (e) supplies used or consumed in Borrower's business; (f) Inventory at premises other than those owned and controlled by Borrower, except any Inventory which

would otherwise be deemed Eligible Inventory at locations in the United States of America which are not owned and operated by Borrower may nevertheless be considered Eligible Inventory: (i) as to locations which are leased by Borrower if Lender shall have received a Collateral Access Agreement from the owner and lessor of such location, duly

7

authorized, executed and delivered by such owner and lessor, except that notwithstanding that Lender shall not have received such an agreement for a particular leased location, Lender may consider Inventory at such leased location which would otherwise be Eligible Inventory to be Eligible Inventory and in such event, Lender may at any time establish such Reserves as Lender may determine in respect of amounts at any time payable by Borrower to the owner or lessor of such location, without limiting any other rights and remedies of Lender under this Agreement or under the other Financing Agreements with respect to the establishment of Reserves or otherwise and (ii) as to premises of third parties (including consignees and processors), Lender shall have received a Collateral Access Agreement duly authorized, executed and delivered by the owner and operator of such premises (except that notwithstanding that Lender shall not have received such an agreement as to a particular third party location, Lender may consider Inventory at such location which would otherwise be Eligible Inventory to be Eligible Inventory and in such event, Lender may at any time establish such Reserves as Lender may determine in respect of amounts at any time payable by Borrower to such third party, without limiting any other rights or remedies of Lender under this Agreement or under the other Financing Agreements with respect to the establishment of Reserves or otherwise), and in addition, if required by Lender, as to premises of third parties where assets of Borrower are located: (A) the owner and operator executes appropriate UCC-1 financing statements in favor of Borrower, which are duly assigned to Lender and (B) any secured lender to the owner and operator is properly notified of the first priority lien on such Inventory of Lender; (g) Inventory located outside the United States of America shall only be Eligible Inventory if (i) it is in transit to either the premises of a Customs Broker in the United States or premises of Borrower in the United States and as to premises of a Customs Broker or premises which are not owned and controlled by Borrower only if Lender has received a Collateral Access Agreement duly authorized, executed and delivered by such Customs Broker or the owner, lessor and operator of such other premises, as the case may be, (ii) Lender has a first priority perfected security interest in and control and possession of all originals of documents of title with respect to such Inventory, (iii) Lender has received a Collateral Access Agreement from the Customs Broker dealing with such Inventory, duly authorized, executed and delivered by such person, and such agreement is in full force and effect, binding upon such person and such person has complied with the terms thereof, (iv) Lender has received (A) a copy of the certificate of marine cargo insurance in connection therewith in which it has been named as an additional insured and loss payee in a manner acceptable to Lender and (B) a copy of the invoice and manifest with respect thereto, and (v) such Inventory is not subject to any Letter of Credit Accommodation; (h) Inventory subject to a security interest or lien in favor of any person other than Lender, except those permitted in this Agreement; (i) bill and hold goods; (j) Inventory which is not subject to the first priority, valid and perfected security interest of Lender; (k) damaged and/or defective Inventory which is unsaleable or which any Borrower has not marked down to its realizable value; (l) Inventory purchased or sold on consignment; (m) samples; and (n) Inventory to be returned to vendors. General criteria for Eligible Inventory may be established and revised from time to time by Lender in good faith based on an event, condition or other circumstance arising after the date hereof, or existing on the date hereof to the extent Lender has no written notice thereof from Borrower, which adversely affects or could reasonably be expected to adversely affect the Inventory in the good faith determination of Lender. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral.

8

1.20 "Environmental Laws" shall mean all foreign, Federal, State and local laws (including common law), legislation, rules, codes, licenses, permits (including any conditions imposed therein), authorizations, judicial or administrative decisions, injunctions or agreements between Borrower and any Governmental Authority, (a) relating to pollution and the protection, preservation or restoration of the environment (including air, water vapor, surface water, ground water, drinking water, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety, (b) relating to the exposure to, or the use, storage,

recycling, treatment, generation, manufacture, processing, distribution, transportation, handling, labeling, production, release or disposal, or threatened release, of Hazardous Materials, or (c) relating to all laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials. The term "Environmental Laws" includes (i) the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Federal Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Water Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Safe Drinking Water Act of 1974, (ii) applicable state counterparts to such laws, and (iii) any common law or equitable doctrine that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of or exposure to any Hazardous Materials.

1.21 "Equipment" shall mean all of Borrower's now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.22 "ERISA" shall mean the United States Employee Retirement Income Security Act of 1974, together with all rules, regulations and interpretations thereunder or related thereto.

1.23 "ERISA Affiliate" shall mean any person required to be aggregated with Borrower or any of its Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

1.24 "ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412 of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the occurrence of a "prohibited transaction" with respect to which Borrower or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which Borrower or any of its Subsidiaries could otherwise be liable; (f) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer

Plan or a cessation of operations which is treated as such a withdrawal or notification that a Multiemployer Plan is in reorganization; (g) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a Plan or Multiemployer Plan; (h) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan; (i) the imposition of any liability under Title IV of ERISA, other than the Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any ERISA Affiliate; and (j) any other event or condition with respect to a Plan or Multiemployer Plan or any Plan subject to Title IV of ERISA maintained, or contributed to, by any ERISA Affiliate that could reasonably be expected to result in liability of Borrower.

1.25 "Eurodollar Rate" shall mean with respect to the Interest Period for a Eurodollar Rate Loan, the interest rate per annum equal to the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) at which Reference Bank is offered deposits of United States dollars in the London interbank market (or other Eurodollar Rate market selected by Borrower and approved by Lender) on or about 9:00 a.m. (New York time) two (2) Business Days prior to the commencement of such Interest Period in amounts substantially equal to the principal amount of the Eurodollar Rate Loans requested by and available to Borrower in accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by Borrower.

1.26 "Eurodollar Rate Loans" shall mean any Loans or portion thereof on which interest is payable based on the Adjusted Eurodollar Rate in accordance with the terms hereof.

1.27 "Event of Default" shall mean the occurrence or existence of any event or condition described in Section 10.1 hereof.

1.28 "Excess Availability" shall mean the amount, as determined by Lender, calculated at any time, equal to: (a) the lesser of: (i) the Borrowing Base and (ii) the Revolving Loan Limit, minus (b) the sum of: (i) the amount of all then outstanding and unpaid Obligations (but not including for this purpose the then outstanding principal amount of the Term Loan), plus (ii) the aggregate amount of all then outstanding and unpaid trade payables and other obligations of Borrower which are more than sixty (60) days past due as of such time, plus (iii) the amount of checks issued by Borrower to pay trade payables and other obligations which are more than sixty (60) days past due as of such time, but not yet sent.

1.29 "Exchange Act" shall mean the Securities Exchange Act of 1934, together with all rules, regulations and interpretations thereunder or related thereto.

1.30 "Existing Letters of Credit" shall mean the letters of credit issued for the account of Borrower listed on Schedule 1.30 hereto.

10

1.31 "Existing Real Property" shall mean all now owned real property of Borrower, including leasehold interests, together with the buildings, structures and other improvements located thereon, and all licenses, easements and appurtenances relating thereto, wherever located, as more particularly described on Schedule 1.31 hereto but not including the Real Property subject to the Mortgages.

1.32 "Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements and other agreements, documents and instruments now or at any time hereafter executed and/or delivered by Borrower or any Obligor in connection with this Agreement.

1.33 "Fixed Charge Coverage Ratio" shall mean, with respect to Borrower and its Subsidiaries, on a consolidated basis, for any period of determination, the ratio of (a) EBITDA during such period to (b) Fixed Charges of Borrower and its Subsidiaries for the same period.

1.34 "Fixed Charges" for any period shall mean the sum of, without duplication, (a) all Interest Expense, (b) all Capital Expenditures, and (c) all regularly scheduled (as determined at the beginning of the respective period) principal payments of Indebtedness for borrowed money and Indebtedness with respect to Capital Leases (and without duplicating in items (a) and (c) of this definition, the interest component with respect to Indebtedness under Capital Leases).

1.35 "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board which are applicable to the circumstances as of the date of determination consistently applied.

1.36 "Governmental Authority" shall mean any nation or government, any state, province, or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

1.37 "Hazardous Materials" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including materials which include

hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including any that are or become classified as hazardous or toxic under any Environmental Law).

1.38 "Indebtedness" shall mean, with respect to any Person, any liability, whether or not contingent, (a) in respect of borrowed money (whether or not the recourse of the lender is to the

11

whole of the assets of such Person or only to a portion thereof) or evidenced by bonds, notes, debentures or similar instruments; (b) representing the balance deferred and unpaid of the purchase price of any property or services (except any such balance that constitutes an account payable to a trade creditor (whether or not an Affiliate) created, incurred, assumed or guaranteed by such Person in the ordinary course of business of such Person in connection with obtaining goods, materials or services that is not overdue by more than ninety (90) days, unless the trade payable is being contested in good faith); (c) all obligations as lessee under leases which have been, or should be, in accordance with GAAP recorded as Capital Leases; (d) any contractual obligation, contingent or otherwise, of such Person to pay or be liable for the payment of any indebtedness described in this definition of another Person, including, without limitation, any such indebtedness, directly or indirectly guaranteed, or any agreement to purchase, repurchase, or otherwise acquire such indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof, or to maintain solvency, assets, level of income, or other financial condition; (e) all obligations with respect to redeemable stock and redemption or repurchase obligations under any Capital Stock or other equity securities issued by such Person; (f) all reimbursement obligations and other liabilities of such Person with respect to surety bonds (whether bid, performance or otherwise), letters of credit, banker's acceptances or similar documents or instruments issued for such Person's account; and (g) all indebtedness of such Person in respect of indebtedness of another Person for borrowed money or indebtedness of another Person otherwise described in this definition which is secured by any consensual lien, security interest, collateral assignment, conditional sale, mortgage, deed of trust, or other encumbrance on any asset of such Person, whether or not such obligations, liabilities or indebtedness are assumed by or are a personal liability of such Person, all as of such time.

1.39 "Information Certificate" shall mean the Information Certificate of Borrower constituting Exhibit A hereto containing material information with respect to Borrower, its business and assets provided by or on behalf of Borrower to Lender in connection with the preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for herein.

1.40 "Intellectual Property" shall mean Borrower's now owned and hereafter arising or acquired: patents, patent rights, patent applications, copyrights, works which are the subject matter of copyrights, copyright registrations, trademarks, trade names, trade styles, trademark and service mark applications, and licenses and rights to use any of the foregoing; all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing; all rights to sue for past, present and future infringement of any of the foregoing; inventions, trade secrets, formulae, processes, compounds, drawings, designs, blueprints, surveys, reports, manuals, and operating standards; goodwill; customer and other lists in whatever form maintained; and trade secret rights, copyright rights, rights in works of authorship, and contract rights relating to computer software programs, in whatever form created or maintained.

1.41 "Interest Expense" shall mean, for any period, as to any Person, all of the following as determined in accordance with GAAP: (a) total interest expense, whether paid or accrued during such period (including the interest component of Capital Leases for such period), including, without limitation, all bank fees, commissions, discounts and other fees and charges

12

owed with respect to letters of credit (but excluding amortization of discount and amortization of deferred financing fees paid in cash in connection with the transactions contemplated hereby, interest paid in property other than cash and any other interest expense not payable in cash), minus (b) any net payments received during such period as interest income received in respect of its

investments in cash.

1.42 "Interest Period" shall mean for any Eurodollar Rate Loan, a period of approximately one (1), two (2), or three (3) months duration as Borrower may elect, the exact duration to be determined in accordance with the customary practice in the applicable Eurodollar Rate market; provided, that, Borrower may not elect an Interest Period which will end after the last day of the then-current term of this Agreement.

1.43 "Interest Rate" shall mean:

(a) Subject to clauses (b) and (c) of this definition below: as to Prime Rate Loans, the Prime Rate and, as to Eurodollar Rate Loans, a rate of two percent per annum in excess of the Adjusted Eurodollar Rate (based on the Eurodollar Rate applicable for the Interest Period selected by Borrower as in effect two (2) Business Days after the date of receipt by Lender of the request of Borrower for such Eurodollar Rate Loans in accordance with the terms hereof, whether such rate is higher or lower than any rate previously quoted to Borrower);

(b) Subject to clause (c) below, effective as of the first day of the month after Lender's receipt of the financial statements required to be delivered to Lender pursuant to Section 9.6(a)(ii) hereof in respect of the fiscal quarter ending June 30, 2000, the Interest Rate payable by Borrower shall be increased or decreased, as the case may be, to the rate equal to the applicable margin set forth in Exhibit B hereto, on a per annum basis, in excess of the Prime Rate as to Prime Rate Loans, and in excess of the Adjusted Eurodollar Rate as to Eurodollar Rate Loans, in each case, based on either (i) the quarterly average of the Excess Availability of Borrower for the immediately preceding full fiscal quarter or (ii) Borrower's Fixed Charge Coverage Ratio, calculated on a quarterly basis, for the immediately preceding four (4) consecutive fiscal quarters of Borrower, ending June 30, 2000 (except that for purposes of calculating the Fixed Charge Coverage Ratio for the period ending June 30, 2000: (A) the Fixed Charge Coverage Ratio shall be calculated on a fiscal year to date basis as of July 1, 1999, and (B) the Interest Expense paid to Lender in respect of the Obligations from the date of closing to June 30, 2000 shall be calculated on an annualized basis) as calculated by Lender in good faith.

(c) Notwithstanding anything to the contrary contained in clauses (a) and (b) above, the applicable margin otherwise used to calculate the Interest Rate shall be the highest percentage set forth on Exhibit B hereto for each category of Loans (without regard to the amount of Excess Availability or Fixed Charge Coverage Ratio) plus two (2%) percent per annum, at Lender's option, without notice, (i) either (A) for the period on and after the date of termination or non-renewal hereof until such time as all Obligations are indefeasibly paid and satisfied in full, or (B) for the period from and after the date of the occurrence of any Event of Default, and for so long as such Event of Default is continuing as determined by Lender and (ii) on the Revolving Loans at any time outstanding in excess of the amounts available to Borrower under Section 2

13

(whether or not such excess(es) arise or are made with or without Lender's knowledge or consent and whether made before or after an Event of Default).

1.44 "Inventory" shall mean all of Borrower's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.45 "Inventory Loan Limit" shall mean \$15,000,000, provided, that, in the event Lender determines that the number of days of the turnover of the Inventory for any period has not materially changed, the Inventory Loan Limit shall be (i) \$18,000,000 for the period commencing July 1, 2001 through and including June 30, 2002, and (ii) \$20,000,000 for the period commencing July 1, 2002 and at all times thereafter.

1.46 "Letter of Credit Accommodations" shall mean the letters of credit, merchandise purchase or other guaranties which are from time to time either (a) issued or opened by Lender for the account of Borrower or any Obligor or (b) with respect to which Lender has agreed to indemnify the issuer or guaranteed to the issuer the performance by Borrower of its obligations to such issuer (including without limitation, the Existing Letters of Credit).

1.47 "Loans" shall mean the Revolving Loans and the Term Loan.

1.48 "Material Contract" shall mean (a) any contract or other agreement (other than the Financing Agreements), written or oral, of Borrower involving monetary liability of or to any Person in an amount in excess of \$1,000,000 in any fiscal year and (b) any other contract or other agreement (other than the Financing Agreements), whether written or oral, to which Borrower is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto would have a material adverse effect on the business, assets, condition (financial or otherwise) or results of operations or prospects of Borrower or the validity or enforceability of this Agreement, any of the other Financing Agreements, or any of the rights and remedies of Lender hereunder or thereunder.

1.49 "Maximum Credit" shall mean the amount of \$35,000,000 subject to increase as set forth in Section 2.1(d) hereof.

1.50 "Maximum Interest Rate" shall mean the maximum non-usurious rate of interest under applicable Federal or State law as in effect from time to time that may be contracted for, taken, reserved, charged or received in respect of the indebtedness of Borrower to Lender, or to the extent that at any time such applicable law may thereafter permit a higher maximum non-usurious rate of interest, then such higher rate. Notwithstanding any other provision hereof, the Maximum Interest Rate shall be calculated on a daily basis (computed on the actual number of days elapsed over a year of three hundred sixty-five (365) or three hundred sixty-six (366) days, as the case may be).

1.51 "Mortgages" shall mean, individually and collectively, each of the following: (a) the Deed of Trust and Security Agreement, dated of even date herewith, by Borrower in favor of

14

Lender with respect to the Real Property and related assets of Borrower located in Maiden, North Carolina, (b) the Deed of Trust and Security Agreement, dated of even date herewith, by Borrower in favor of Lender with respect to the Real Property and related assets of Borrower located in Knoxville, Tennessee, and (c) the Open-End Mortgage and Security Agreement, dated of even date herewith, by Borrower in favor of Lender with respect to the Real Property and related assets of Borrower located in Edgefield, South Carolina.

1.52 "Multiemployer Plan" shall mean a "multi-employer plan" as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding six (6) years contributed to by Borrower or any ERISA Affiliate.

1.53 "Net Amount of Eligible Accounts" shall mean the gross amount of Eligible Accounts less (a) sales, excise or similar taxes included in the amount thereof and (b) returns, discounts, claims, credits and allowances of any nature at any time issued, owing, granted, outstanding, available or claimed with respect thereto.

1.54 "Net Income" shall mean, with respect to any Person, for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries, on a consolidated basis, for such period (excluding to the extent included therein any extraordinary, one-time or non-recurring gains) after deducting all charges which should be deducted before arriving at the net income (loss) for such period and after deducting the Provision for Taxes for such period, all as determined in accordance with GAAP; provided, that, (a) the net income of any Person that is not a wholly-owned Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid or payable to such Person or a wholly-owned Subsidiary of such Person; (b) the effect of any change in accounting principles adopted by such Person or its Subsidiaries after the date hereof shall be excluded; and (c) the net income (if positive) of any wholly-owned Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such wholly-owned Subsidiary to such Person or to any other wholly-owned subsidiary of such Person is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such wholly-owned Subsidiary shall be excluded. For the purpose of this definition, net income excludes any gain (but not loss) together with any related Provision for Taxes for such gain (but not loss) realized upon the sale or other disposition of any assets that are not sold in the ordinary course of business (including, without limitation, dispositions pursuant to sale and leaseback transactions) or of any Capital Stock of such Person or a Subsidiary of such Person and any net income realized

as a result of changes in accounting principles or the application thereof to such Person.

1.55 "Net Proceeds" shall mean the aggregate cash proceeds received by Borrower, or any of its Subsidiaries in respect of any asset sale permitted under Section 9.7 hereof, net of the direct costs relating to such asset sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts applied to the repayment of indebtedness secured by a lien on the asset or assets that are the subject of such asset sale and any

15

other indebtedness required to be repaid in connection with such transaction and any reserve for adjustment in respect of the sale price of such asset or assets. Net Proceeds shall exclude any non-cash proceeds received from any asset sale, but shall include such proceeds when and as converted by Borrower or any Subsidiary of Borrower to cash.

1.56 "Obligations" shall mean any and all Revolving Loans, the Term Loan, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower to Lender and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to Borrower under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Lender.

1.57 "Obligor" shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, other than Borrower.

1.58 "Payment Account" shall have the meaning set forth in Section 6.3 hereof.

1.59 "Permits" shall have the meaning set forth in Section 8.7 hereof.

1.60 "Permitted Holders" shall mean the persons listed on Schedule 1.60 hereto and their respective successors and assigns.

1.61 "Person" or "person" shall mean any individual, sole proprietorship, partnership, corporation (including any corporation which elects subchapter S status under the Code), limited liability company, limited liability partnership, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.62 "Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Borrower sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a Multiemployer Plan has made contributions at any time during the immediately preceding six (6) plan years.

1.63 "Prime Rate" shall mean the rate from time to time publicly announced by First Union National Bank, or its successors, as its prime rate, whether or not such announced rate is the best rate available at such bank.

16

1.64 "Prime Rate Loans" shall mean any Loans or portion thereof on which interest is payable based on the Prime Rate in accordance with the terms thereof.

1.65 "Provision for Taxes" shall mean an amount equal to all taxes imposed

on or measured by net income, whether Federal, State, Provincial, municipal or local, and whether foreign or domestic, that are paid or payable by any Person in respect of any period in accordance with GAAP.

1.66 "Real Property" shall mean all now owned and hereafter acquired real property of Borrower, including leasehold interests, together with all buildings, structures, and other improvements located thereon and all licenses, easements and appurtenances relating thereto, wherever located, including the real property and related assets more particularly described in the Mortgages.

1.67 "Receivables" shall mean: (a) all Accounts; (b) all amounts at any time payable to Borrower in respect of the sale or other disposition by Borrower of any Account or other obligation for the payment of money; (c) all interest, fees, late charges, penalties, collection fees and other amounts due or to become due or otherwise payable in connection with any Account; (d) all letters of credit, indemnities, guarantees, security or other deposits and proceeds thereof issued payable to Borrower or otherwise in favor of or delivered to Borrower in connection with any Account; or (e) all other contract rights, chattel paper, instruments, notes, general intangibles and other forms of obligations owing to Borrower, whether from the sale and lease of goods or other property, licensing of any property (including Intellectual Property or other general intangibles), rendition of services or from loans or advances by Borrower or to or for the benefit of any third person (including loans or advances to any Affiliates or Subsidiaries) or otherwise associated with any Accounts, Inventory or general intangibles of Borrower (including, without limitation, choses in action, causes of action, tax refunds, tax refund claims, any funds which may become payable to Borrower in connection with the termination of any Plan or other employee benefit plan and any other amounts payable to Borrower from any Plan or other employee benefit plan, rights and claims against carriers and shippers, rights to indemnification, business interruption insurance and proceeds thereof, casualty or any similar types of insurance and any proceeds thereof and proceeds of insurance covering the liens of employees on which Borrower is beneficiary.

1.68 "Records" shall mean all of Borrower's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Borrower with respect to the foregoing maintained with or by any other person).

1.69 "Reference Bank" shall mean First Union National Bank, or such other bank as Lender may from time to time designate.

17

1.70 "Renewal Date" shall the meaning set forth in Section 12.1 hereof.

1.71 "Reserves" shall mean as of any date of determination, such amounts as Lender may from time to time establish and revise in good faith reducing the amount of Revolving Loans and Letter of Credit Accommodations which would otherwise be available to Borrower under the lending formula(s) provided for herein: (a) to reflect events, conditions, contingencies or risks arising after the date of this Agreement or of which Lender had no actual knowledge as of such date, which, as determined by Lender in good faith, adversely affect, or would have a reasonable likelihood of adversely affecting, either (i) the Collateral or any other property which is security for the Obligations or its value, (ii) the assets, business or financial condition of Borrower or any Obligor or (iii) the security interests and other rights of Lender in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Lender's good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Obligor to Lender is or may have been incomplete, inaccurate or misleading in any material respect; or (c) to reflect outstanding Letter of Credit Accommodations as provided in Section 2.2 hereof; (d) \$255,000 in respect of deferred compensation liabilities of Borrower for its employees and those of any member of the Delta Apparel Employee Group (as such term is defined in the DWI Distribution Agreement) such reserve to terminate upon Lender's receipt of evidence, in form and substance satisfactory to it that the option provided to members of the Delta Apparel Employee Group to receive a distribution of deferred compensation benefits in connection with the transactions contemplated by the Distribution Agreement has expired; or (e) in respect of any state of facts which Lender determines in good faith constitutes

an Event of Default or may, with notice or passage of time or both, constitute an Event of Default. To the extent Lender may revise the lending formulas used to determine the Borrowing Base or establish new criteria or revise existing criteria for Eligible Accounts or Eligible Inventory so as to address any circumstances, condition, event or contingency in a manner satisfactory to Lender, Lender shall not establish a Reserve for the same purpose. The amount of any Reserve established by Lender shall have a reasonable relationship to the event, condition or other matter which is the basis for such reserve as determined by Lender in good faith.

1.72 "Revolving Loan Limit" shall mean \$25,000,000 subject to increase as provided in Section 2.1(d) hereof.

1.73 "Revolving Loans" shall mean the loans now or hereafter made by Lender to or for the benefit of Borrower on a revolving basis (involving advances, repayments and readvances) as set forth in Section 2.1 hereof.

1.74 "Subsidiary" or "subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, limited liability partnership or other limited or general partnership, trust, association or other business entity of which an aggregate of at least a majority of the outstanding Capital Stock or other interests entitled to vote in the election of the board of directors of such corporation (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency), managers, trustees or other controlling persons, or an equivalent

18

controlling interest therein, of such Person is, at the time, directly or indirectly, owned by such Person and/or one or more subsidiaries of such Person.

1.75 "Term Loan" shall mean the term loan made by Lender to Borrower as provided for in Section 2.3 hereof.

1.76 "Value" shall mean, as determined by Lender in good faith, with respect to Inventory, the lower of (a) cost computed on a first-in first-out basis in accordance with GAAP or (b) market value.

1.77 "Voting Stock" shall mean with respect to any Person, (a) one (1) or more classes of Capital Stock of such Person having general voting powers to elect at least a majority of the board of directors, managers or trustees of such Person, irrespective of whether at the time Capital Stock of any other class or classes have or might have voting power by reason of the happening of any contingency, and (b) any Capital Stock of such Person convertible or exchangeable without restriction at the option of the holder thereof into Capital Stock of such Person described in clause (a) of this definition.

1.78 "Woodside" shall mean Delta Woodside Industries, Inc., a South Carolina corporation, and its successors and assigns.

SECTION 2. CREDIT FACILITIES

2.1 Revolving Loans.

(a) Subject to and upon the terms and conditions contained herein, Lender agrees to make Revolving Loans to Borrower from time to time in amounts requested by Borrower up to the amount equal to the lesser of: (i) the Borrowing Base or (ii) the Revolving Loan Limit.

(b) Lender may, in its discretion, from time to time, upon not less than five (5) days prior notice to Borrower, (i) reduce the lending formula with respect to Eligible Accounts to the extent that Lender determines in good faith that (A) the dilution with respect to the Accounts for any period (based on the ratio of (1) the aggregate amount of reductions in Accounts other than as a result of payments in cash to (2) the aggregate amount of total sales) has increased in any material respect or may be reasonably anticipated to increase in any material respect above historical levels, or (B) the general creditworthiness of account debtors has materially declined or (ii) reduce the lending formula(s) with respect to Eligible Inventory to the extent that Lender determines that: (A) the number of days of the turnover of the Inventory for any period has changed or (B) the liquidation value of the Eligible Inventory, or

any category thereof, has decreased, or (C) the nature, quality or mix of the Inventory has materially deteriorated. The amount of any decrease in the lending formulas shall have a reasonable relationship to the event, condition or circumstance which is the basis for such decrease as determined by Lender in good faith. In determining whether to reduce the lending formula(s), Lender may consider events,

19

conditions, contingencies or risks which are also considered in determining Eligible Accounts, Eligible Inventory or in establishing Reserves.

(c) Except in Lender's discretion, (i) the aggregate amount of the Revolving Loans outstanding at any time shall not exceed the Revolving Loan Limit, (ii) the aggregate amount of Revolving Loans and Letter of Credit Accommodations based on Eligible Inventory consisting of yarn classified as work-in-process outstanding at any time shall not exceed \$1,000,000 at any time and (iii) the aggregate amount of the Loans and the Letter of Credit Accommodations outstanding at any time shall not exceed the Maximum Credit. In the event that the outstanding amount of any component of the Loans, or the aggregate amount of the outstanding Loans and Letter of Credit Accommodations, exceed the amounts available under the lending formulas, the Revolving Loan Limit, the sublimits for Letter of Credit Accommodations set forth in Section 2.2(e), the Inventory Loan Limit or the Maximum Credit, as applicable, such event shall not limit, waive or otherwise affect any rights of Lender in that circumstance or on any future occasions and Borrower shall, upon demand by Lender, which may be made at any time or from time to time, immediately repay to Lender the entire amount of any such excess(es) for which payment is demanded.

(d) The Revolving Loan Limit may be permanently increased, one time only, by \$5,000,000 to \$30,000,000, upon the written request of Borrower to Lender, such request shall be irrevocable and shall become effective three (3) Business Days after such request is received by Lender, provided, that, as of the proposed effective date of any such increase, Lender has determined that no Event of Default or any act, condition or event which with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred. To the extent any such increase becomes effective, the Maximum Credit shall be automatically deemed increased by \$5,000,000.

2.2 Letter of Credit Accommodations.

(a) Subject to and upon the terms and conditions contained herein, at the request of Borrower, Lender agrees to provide or arrange for Letter of Credit Accommodations for the account of Borrower containing terms and conditions acceptable to Lender and the issuer thereof. Any payments made by Lender to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations shall constitute additional Revolving Loans to Borrower pursuant to this Section 2.

(b) In addition to any charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations, Borrower shall pay to Lender a letter of credit fee at a rate equal to one and one-half (1 1/2%) percent per annum on the daily outstanding balance of the Letter of Credit Accommodations for the immediately preceding month (or part thereof), payable in arrears as of the first day of each succeeding month, except that Borrower shall pay to Lender such letter of credit fee, at Lender's option, without notice, at a rate equal to three and one-half (3 1/2%) percent per annum on such daily outstanding balance for: (i) the period from and after the date of termination or non-renewal hereof until Lender has received full and final payment of all Obligations (notwithstanding entry of a judgment against Borrower) and

20

(ii) the period from and after the date of the occurrence of an Event of Default for so long as such Event of Default is continuing as determined by Lender. Such letter of credit fee shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed and the obligation of Borrower to pay such fee shall survive the termination or non-renewal of this Agreement.

(c) Borrower shall give Lender two (2) Business Days' prior written of Borrower's request for the issuance of a Letter of Credit Accommodation. Such notice shall be irrevocable and shall specify the original face amount of the Letter of Credit Accommodation requested, the effective date (which date shall be a Business Day) of issuance of such requested Letter of Credit Accommodation,

whether such Letter of Credit Accommodations may be drawn in a single or in partial draws, the date on which such requested Letter of Credit Accommodation is to expire (which date shall be a Business Day), the purpose for which such Letter of Credit Accommodation is to be issued, and the beneficiary of the requested Letter of Credit Accommodation. Borrower shall attach to such notice the proposed form of the Letter of Credit Accommodation.

(d) In addition to being subject to the satisfaction of the applicable conditions precedent contained in Section 4 hereof and the other terms and conditions contained herein, no Letter of Credit Accommodations shall be available unless each of the following conditions precedent have been satisfied in a manner satisfactory to Lender: (i) Borrower shall have delivered to the proposed issuer of such Letter of Credit Accommodation at such times and in such manner as such proposed issuer may require, an application in form and substance satisfactory to such proposed issuer and Lender for the issuance of the Letter of Credit Accommodation and such other documents as may be required pursuant to the terms thereof, and the form and terms of the proposed Letter of Credit Accommodation shall be satisfactory to Lender and such proposed issuer, (ii) as of the date of issuance, no order of any court, arbitrator or other Governmental Authority shall purport by its terms to enjoin or restrain money center banks generally from issuing letters of credit of the type and in the amount of the proposed Letter of Credit Accommodation, and no law, rule or regulation applicable to money center banks generally and no request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over money center banks generally shall prohibit, or request that the proposed issuer of such Letter of Credit Accommodation refrain from, the issuance of letters of credit generally or the issuance of such Letters of Credit Accommodation; and (iii) the Excess Availability, prior to giving effect to any Reserves with respect to such Letter of Credit Accommodations, on the date of the proposed issuance of any Letter of Credit Accommodations, shall be equal to or greater than: (A) if the proposed Letter of Credit Accommodation is for the purpose of purchasing Eligible Inventory, the sum of (1) forty-five (45%) percent multiplied by the Value of such Eligible Inventory, plus (2) freight, taxes, duty and other amounts which Lender estimates must be paid by Borrower in connection with such Inventory upon arrival and for delivery to one of Borrower's locations for Eligible Inventory within the United States of America and (iv) if the proposed Letter of Credit Accommodation is for any other purpose, an amount equal to one hundred (100%) percent of the face amount thereof and all other commitments and obligations made or incurred by Lender with respect

21

thereto. Effective on the issuance of each Letter of Credit Accommodation, a Reserve shall be established in the applicable amount set forth in Section 2.2(d)(iii)(A) or Section 2.2(d)(iii)(B).

(e) Except in Lender's discretion, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Lender in connection therewith shall not at any time exceed \$10,000,000. At any time an Event of Default exists or has occurred and is continuing, upon Lender's request, Borrower will either furnish cash collateral to secure the reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Lender for the Letter of Credit Accommodations.

(f) Borrower shall indemnify and hold Lender harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Lender may suffer or incur in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto, including any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation. Borrower assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed Borrower's agent. Borrower assumes all risks for, and agrees to pay, all foreign, Federal, State and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or acceptances thereunder. Borrower hereby releases and holds Lender harmless from and against any acts, waivers, errors, delays or omissions, whether caused by Borrower, by any issuer or correspondent or otherwise with respect to or relating to any Letter of Credit Accommodation, except for the gross negligence or wilful misconduct of Lender as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. The provisions of this Section 2.2(e) shall survive the payment of

Obligations and the termination or non-renewal of this Agreement.

(g) In connection with Inventory purchased pursuant to Letter of Credit Accommodations, Borrower will, at Lender's request, instruct all suppliers, carriers, forwarders, customs brokers, warehouses or others receiving or holding cash, checks, Inventory, documents or instruments in which Lender holds a security interest to deliver them to Lender and/or subject to Lender's order, and if they shall come into Borrower's possession, to deliver them, upon Lender's request, to Lender in their original form. Borrower shall also, at Lender's request, designate Lender as the consignee on all bills of lading and other negotiable and non-negotiable documents.

(h) Borrower hereby irrevocably authorizes and directs any issuer of a Letter of Credit Accommodation to name Borrower as the account party therein and to deliver to Lender all instruments, documents and other writings and property received by issuer pursuant to the Letter of Credit Accommodations and to accept and rely upon Lender's instructions and agreements with respect to all matters arising in connection with the Letter of Credit Accommodations or the applications therefor. Nothing contained herein shall be deemed or construed to grant Borrower any right or authority to pledge the credit of Lender in any manner. Lender shall have no liability of any kind with respect to any Letter of Credit Accommodation

22

provided by an issuer other than Lender unless Lender has duly executed and delivered to such issuer the application or a guarantee or indemnification in writing with respect to such Letter of Credit Accommodation. Borrower shall be bound by any interpretation made in good faith by Lender, or any other issuer or correspondent under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of Borrower. Lender shall have the sole and exclusive right and authority to, and Borrower shall not: (i) at any time an Event of Default exists or has occurred and is continuing, (A) approve or resolve any questions of non-compliance of documents, (B) give any instructions as to acceptance or rejection of any documents or goods or (C) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders, and (ii) at all times, (A) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (B) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral. Lender may take such actions either in its own name or in Borrower's name.

(i) Any rights, remedies, duties or obligations granted or undertaken by Borrower to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been granted or undertaken by Borrower to Lender. Any duties or obligations undertaken by Lender to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Lender in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by Borrower to Lender and to apply in all respects to Borrower.

2.3 Term Loan. Lender is making a Term Loan to Borrower in the original principal amount of \$10,000,000. The Term Loan is (a) evidenced by a Term Promissory Note in such original principal amount duly executed and delivered by Borrower to Lender concurrently herewith; (b) to be repaid, together with interest and other amounts, in accordance with this Agreement, the Term Promissory Note, and the other Financing Agreements and (c) secured by all of the Collateral.

SECTION 3. INTEREST AND FEES

3.1 Interest.

(a) Borrower shall pay to Lender interest on the outstanding principal amount of the Loans at the Interest Rate. All interest accruing hereunder on and

after the date of any Event of Default or termination or non-renewal hereof or on the principal amount of the Revolving Loans at any time outstanding in excess of the amounts available to Borrower under Section 2 (whether or not such excess(es), arise or are made with or without Lender's knowledge or consent and whether made before or after an Event of Default) shall be payable ON DEMAND.

23

(b) Borrower may from time to time request that Prime Rate Loans be converted to Eurodollar Rate Loans or that any existing Eurodollar Rate Loans continue for an additional Interest Period. Such request from Borrower shall specify the amount of the Prime Rate Loans which will constitute Eurodollar Rate Loans (subject to the limits set forth below) and the Interest Period to be applicable to such Eurodollar Rate Loans. Subject to the terms and conditions contained herein, two (2) Business Days after receipt by Lender of such a request from Borrower, such Prime Rate Loans shall be converted to Eurodollar Rate Loans or such Eurodollar Rate Loans shall continue, as the case may be, provided, that, (i) no Event of Default, or act, condition or event which with notice or passage of time or both would constitute an Event of Default shall exist or have occurred and be continuing, (ii) no party hereto shall have sent any notice of termination or non-renewal of this Agreement, (iii) Borrower shall have complied with such customary procedures as are established by Lender and specified by Lender to Borrower from time to time for requests by Borrower for Eurodollar Rate Loans, (iv) no more than four (4) Interest Periods may be in effect at any one time, (v) the aggregate amount of the Eurodollar Rate Loans must be in an amount not less than \$3,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (vi) Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to Lender through the Reference Bank and can be readily determined as of the date of the request for such Eurodollar Rate Loan by Borrower. Any request by Borrower to convert Prime Rate Loans to Eurodollar Rate Loans or to continue any existing Eurodollar Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Lender and Reference Bank shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable Eurodollar Rate market to fund any Eurodollar Rate Loans, but the provisions hereof shall be deemed to apply as if Lender and Reference Bank had purchased such deposits to fund the Eurodollar Rate Loans.

(c) Any Eurodollar Rate Loans shall automatically convert to Prime Rate Loans upon the last day of the applicable Interest Period, unless Lender has received and approved a request to continue such Eurodollar Rate Loan at least two (2) Business Days prior to such last day in accordance with the terms hereof. Any Eurodollar Rate Loans shall, at Lender's option, upon notice by Lender to Borrower, convert to Prime Rate Loans in the event that this Agreement shall terminate or not be renewed. Borrower shall pay to Lender, upon demand by Lender (or Lender may, at its option, charge any loan account of Borrower) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person, as a result of the conversion of Eurodollar Rate Loans to Prime Rate Loans pursuant to any of the foregoing.

(d) Interest shall be payable by Borrower to Lender monthly in arrears not later than the first day of each calendar month and shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. Borrower acknowledges and understands that the calculation of interest on the basis of the actual days elapsed over the period of a three hundred sixty (360) day year as opposed to a year of three hundred sixty-five (365) or three hundred sixty-six (366) days results in a higher effective rate of interest. The interest rate on non-contingent obligations (other than Eurodollar Rate Loans) shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate effective on the first day of the month after any

24

change in such Prime Rate is announced based on the Prime Rate in effect on the last day of the month in which any such change occurs.

(e) On the date hereof, the Prime Rate is nine (9 %) percent and therefore the rate of interest in effect hereunder for Prime Rate Loans outstanding on the date of this Agreement, expressed in simple interest terms, is nine (9 %) percent per annum.

3.2 Closing Fee. Borrower shall pay to Lender as a closing fee the amount

of \$175,000 which shall be fully earned and payable as of the date hereof. Such closing fee shall not be subject to rebate upon any prepayment of the Obligations except to the extent required by Section 3.6 of this Agreement or applicable law. Such closing fee shall compensate Lender for the costs associated with the origination, structuring, processing, approving and closing of the transactions contemplated by this Agreement, exclusive of any expenses for which Borrower has agreed to reimburse Lender pursuant to any other provision of this Agreement or the other Financing Agreements (such as attorneys' fees).

3.3 Servicing Fee. Borrower shall pay to Lender monthly a servicing fee in

an amount equal to \$2,000 in respect of Lender's services for each month (or part thereof) while this Agreement remains in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be fully earned as of and payable in advance on the date hereof and on the first day of each month hereafter.

3.4 Unused Line Fee. Borrower shall pay to Lender monthly an unused line

fee at a rate equal to one-quarter of one (1/4%) percent per annum calculated upon the amount by which the Revolving Loan Limit exceeds the average daily principal balance of the outstanding Revolving Loans and Letter of Credit Accommodations during the immediately preceding month (or part thereof) while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be payable on the first day of each month in arrears.

3.5 Changes in Laws and Increased Costs of Loans.

(a) Notwithstanding anything to the contrary contained herein, all Eurodollar Rate Loans shall, upon notice by Lender to Borrower, convert to Prime Rate Loans in the event that (i) any change in applicable law or regulation (or the interpretation or administration thereof) shall either (A) make it unlawful for Lender, Reference Bank or any participant with Lender to make or maintain Eurodollar Rate Loans or to comply with the terms hereof in connection with the Eurodollar Rate Loans, or (B) shall result in the increase in the costs to Lender, Reference Bank or any participant of making or maintaining any Eurodollar Rate Loans by an amount deemed by Lender to be material, or (C) reduce the amounts received or receivable by Lender in respect thereof, by an amount deemed by Lender to be material or (ii) the cost to Lender, Reference Bank or any participant of making or maintaining any Eurodollar Rate Loans shall otherwise increase by an amount deemed by Lender to be material. Borrower shall pay to Lender, upon demand by Lender (or Lender may, at its option, charge any loan account of Borrower) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person as a result of the foregoing,

including, without limitation, any such loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain the Eurodollar Rate Loans or any portion thereof. A certificate of Lender setting forth the basis for the determination of such amount necessary to compensate Lender as aforesaid shall be delivered to Borrower and shall be conclusive, absent manifest error.

(b) If any payments or prepayments in respect of the Eurodollar Rate Loans are received by Lender other than on the last day of the applicable Interest Period (whether pursuant to acceleration, upon maturity or otherwise), including any payments pursuant to the application of collections under Section 6.3 or any other payments made with the proceeds of Collateral, Borrower shall pay to Lender upon demand by Lender (or Lender may, at its option, charge any loan account of Borrower) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any additional loss (including loss of anticipated profits), cost or expense incurred by such person as a result of such prepayment or payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain such Eurodollar Rate Loans or any portion thereof.

3.6 Maximum Interest.

(i) Notwithstanding anything to the contrary contained in this Agreement or any of the other Financing Agreements, in no event whatsoever shall the aggregate of all amounts that are contracted for, charged or received by Lender pursuant to the terms of this Agreement or any of the other Financing Agreements and that are deemed interest under applicable law exceed the Maximum Interest Rate (including, to the extent applicable, the provisions of Section 5197 of the Revised Statutes of the United States of America as amended, 12 U.S.C. Section 85, as amended). No agreements, conditions, provisions or stipulations contained in this Agreement or any of the other Financing Agreements, or any Event of Default, or the exercise by Lender of the right to accelerate the payment or the maturity of all or any portion of the Obligations, or the exercise of any option whatsoever contained in this Agreement or any of the other Financing Agreements, or the prepayment by Borrower of any of the Obligations, or the occurrence of any event or contingency whatsoever, shall entitle Lender to contract for, charge or receive in any event, interest or any charges, amounts, premiums or fees deemed interest by applicable law in excess of the Maximum Interest Rate. In no event shall Borrower be obligated to pay interest or such amounts as may be deemed interest under applicable law in amounts which exceed the Maximum Interest Rate. All agreements, conditions or stipulations, if any, which may in any event or contingency whatsoever operate to bind, obligate or compel Borrower to pay interest or such amounts which are deemed to constitute interest in amounts which exceed the Maximum Interest Rate shall be without binding force or effect, at law or in equity, to the extent of the excess of interest or such amounts which are deemed to constitute interest over such Maximum Interest Rate.

(ii) In the event any Interest is charged or received in excess of the Maximum Interest Rate ("Excess"), Borrower acknowledges and stipulates that any such charge or receipt shall be the result of an accident and bona fide error, and that any Excess received by Lender

26

shall be applied, first, to the payment of the then outstanding and unpaid principal hereunder; second to the payment of the other Obligations then outstanding and unpaid; and third, returned to Borrower, it being the intent of the parties hereto not to enter into a usurious or otherwise illegal relationship. The right to accelerate the maturity of any of the Obligations does not include the right to accelerate any interest that has not otherwise accrued on the date of such acceleration, and Lender does not intend to collect any unearned interest in the event of any such acceleration. Borrower recognizes that, with fluctuations in the rates of interest set forth in Section 3.1 of this Agreement and the Maximum Interest Rate, such an unintentional result could inadvertently occur. All monies paid to Lender hereunder or under any of the other Financing Agreements, whether at maturity or by prepayment, shall be subject to any rebate of unearned interest as and to the extent required by applicable law.

(iii) By the execution of this Agreement, Borrower agrees that (A) the credit or return of any Excess shall constitute the acceptance by Borrower of such Excess, and (B) Borrower shall not seek or pursue any other remedy, legal or equitable, against Lender, based in whole or in part upon contracting for, charging or receiving any interest or such amounts which are deemed to constitute interest in excess of the Maximum Interest Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by Lender, all interest at any time contracted for, charged or received from Borrower in connection with this Agreement or any of the other Financing Agreements shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread during the entire term of this Agreement in accordance with the amounts outstanding from time to time hereunder and the Maximum Interest Rate from time to time in effect in order to lawfully charge the maximum amount of interest permitted under applicable laws.

(iv) Borrower and Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest and (ii) exclude voluntary prepayments and the effects thereof.

(v) The provisions of this Section 3.6 shall be deemed to be incorporated into each of the other Financing Agreements (whether or not any provision of this Section is referred to therein). Each of the Financing Agreements and communications relating to any interest owed by Borrower and all figures set forth therein shall, for the sole purpose of computing the extent of the

Obligations, be automatically recomputed by Borrower, and by any court considering the same, to give effect to the adjustments or credits required by this Section.

SECTION 4. CONDITIONS PRECEDENT

4.1 Conditions Precedent to Initial Loans and Letter of Credit

Accommodations. Each of the following is a condition precedent to Lender making the initial Loans and providing the initial Letter of Credit Accommodations hereunder:

(a) Lender shall have received, in form and substance satisfactory to Lender, evidence that the Distribution Agreements have been duly executed and delivered by and to the appropriate parties thereto and all of the transactions contemplated under the terms of the

27

Distribution Agreements, including without limitation, all of the reorganization events described in Section 2.1 of the DWI Distribution Agreement have been consummated prior to or contemporaneously with the execution of this Agreement and that Borrower has good and marketable title to all of the assets used in the operations and business of the Delta Apparel division of Woodside;

(b) Lender shall have received a copy of the summary of the opinion, in form and substance satisfactory to Lender, addressed and delivered to the Board of Directors of Woodside as to the solvency of Borrower at the time of the distribution contemplated by the Distribution Agreements;

(c) Lender shall have received a copy of the opinion, in form and substance satisfactory to Lender, addressed and delivered to Delta Mills, Inc. to the effect that the sale by Delta Mills, Inc. to Borrower of the Rainsford yarn plant in Edgefield, South Carolina including related inventory is fair from a financial point of view to the holders of Delta Mills, Inc.'s 9 5/8% Senior Notes in the aggregate principal amount of \$150,000,000;

(d) Lender shall have received, in form and substance satisfactory to Lender, all releases, terminations and such other documents as Lender may request to evidence and effectuate the termination by the existing lenders to Borrower of their respective financing arrangements with Borrower and the termination and release by it or them, as the case may be, of any interest in and to any assets and properties of Borrower and each Obligor, duly authorized, executed and delivered by it or each of them, including, but not limited to, (i) UCC termination statements for all UCC financing statements previously filed by it or any of them or their predecessors, as secured party and Borrower or any Obligor, as debtor and (ii) satisfactions and discharges of any mortgages, deeds of trust or deeds to secure debt by Borrower or any Obligor in favor of such existing lender or lenders, in form acceptable for recording with the appropriate Governmental Authority;

(e) all requisite corporate action and proceedings in connection with the transactions contemplated by the Distribution Agreements, this Agreement and the other Financing Agreements shall be satisfactory in form and substance to Lender, and Lender shall have received all information and copies of all documents, including records of requisite corporate action and proceedings which Lender may have requested in connection therewith, such documents where requested by Lender or its counsel to be certified by appropriate corporate officers or Governmental Authorities;

(f) no material adverse change shall have occurred in the assets, business or financial condition of Borrower since the date of Lender's latest field examination and no change or event shall have occurred which would impair the ability of Borrower or any Obligor to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce the Obligations or realize upon the Collateral;

(g) Lender shall have completed a field review of the Records and such other information with respect to the Collateral as Lender may require to determine the amount of

28

Revolving Loans available to Borrower (including, without limitation, current perpetual inventory records and/or roll-forwards of Accounts and Inventory through the date of closing and test counts of the Inventory in a manner satisfactory to Lender, together with such supporting documentation as may be necessary or appropriate, and other documents and information that will enable Lender to accurately identify and verify the Collateral), the results of which each case shall be satisfactory to Lender, not more than three (3) Business Days prior to the date hereof;

(h) Lender shall have received, in form and substance satisfactory to Lender, all consents, waivers, acknowledgments and other agreements from third persons which Lender may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Financing Agreements, including, without limitation, Collateral Access Agreements by owners and lessors of leased premises of Borrower and by warehouses at which Collateral is located;

(i) Lender shall have received, in form and substance satisfactory to Lender, duly authorized, executed and delivered by Woodside and Borrower the agreement of Woodside consenting to the collateral assignment by Borrower to Lender of all of its rights and remedies and claims for damages and other relief under the Distribution Agreements and granting Lender such other rights as Lender may require, duly authorized, executed and delivered by Woodside;

(j) Lender shall have received, in form and substance satisfactory to Lender, a pro-forma consolidated balance sheet of Borrower reflecting the initial transactions contemplated under the Distribution Agreements and hereunder, including, but not limited to, (i) the consummation of the transfer of the assets by Woodside to Borrower and the other transactions contemplated by the Distribution Agreements and (ii) the Loans and Letter of Credit Accommodations provided by Lender to Borrower on the date hereof and the use of the proceeds of the initial Loans as provided herein, accompanied by a certificate, dated of even date herewith, of the chief financial officer of Borrower stating that such pro-forma balance sheet annexed thereto represents the reasonable, good faith opinion of such officer as to the subject matter thereof as of the date of such certificate;

(k) the Excess Availability as determined by Lender, as of the date hereof, shall be not less than \$8,000,000 after giving effect to the initial Loans made or to be made and Letter of Credit Accommodations issued or to be issued in connection with the initial transactions hereunder;

(l) Lender shall have received, in form and substance satisfactory to Lender, all agreements with the depository banks and Borrower with respect to the Blocked Accounts as Lender may require pursuant to Section 6.3 hereof, duly authorized, executed and delivered by such depository banks and Borrower;

(m) Lender shall have received evidence, in form and substance satisfactory to Lender, that Lender has a valid perfected first priority security interest in all of the Collateral;

29

(n) Lender shall have received and reviewed UCC search results for all jurisdictions in the United States and Canada which assets of Borrower are located, which search results shall be in form and substance satisfactory to Lender;

(o) Lender shall have received any existing environmental audits of Borrower's plants and the Real Property conducted by an independent environmental engineering firm acceptable to Lender, and in form, scope and methodology satisfactory to Lender, confirming (i) Borrower is in compliance with all material applicable Environmental Laws and (ii) the absence of any material potential or actual liability of Borrower for any remedial action with respect to any environmental condition or any other material environmental problems;

(p) Lender shall have received, in form and substance satisfactory to Lender, valid and effective title insurance policy with respect to the Real Property of Borrower located in Edgefield, South Carolina, issued by a company and agent acceptable to Lender (i) insuring the priority, amount and sufficiency of the Mortgages, (ii) insuring against matters that would be disclosed by surveys and (iii) containing any legally available endorsements, assurances or

affirmative coverage requested by Lender for protection of its interests;

(q) Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Financing Agreements, in form and substance satisfactory to Lender, and certificates of insurance policies and/or endorsements naming Lender as loss payee;

(r) Lender shall have received, in form and substance satisfactory to Lender, such opinion letters of counsel to Borrower with respect to the Distribution Agreements, the Financing Agreements and such other matters as Lender may request; and

(s) the other Financing Agreements and all instruments and documents hereunder and thereunder shall have been duly executed and delivered to Lender, in form and substance satisfactory to Lender.

4.2 Conditions Precedent to All Loans and Letter of Credit Accommodations.

Each of the following is an additional condition precedent to Lender making Loans and/or providing Letter of Credit Accommodations to Borrower, including the initial Loans and Letter of Credit Accommodations and any future Loans and Letter of Credit Accommodations:

(a) all representations and warranties contained herein and in the other Financing Agreements shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and accurate on and as of such earlier date);

30

(b) no law, regulation, order, judgment or decree of any Governmental Authority shall exist, and no action, suit, investigation, litigation or proceeding shall be pending or threatened in any court or before any arbitrator or Governmental Authority, which (i) purports to enjoin, prohibit, restrain or otherwise affect (A) the making of the Loans or providing the Letter of Credit Accommodations, or (B) the consummation of the transactions contemplated pursuant to the terms hereof or the other Financing Agreements or (ii) has or could reasonably be expected to have a material adverse effect on the assets, business or prospects of Borrower or would impair the ability of Borrower to perform its obligations hereunder or under any of the other Financing Agreements or of Lender to enforce any Obligations or realize upon any of the Collateral; and

(c) no Event of Default and no act, condition or event which, with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto.

SECTION 5. GRANT OF SECURITY INTEREST

To secure payment and performance of all Obligations, Borrower hereby grants to Lender a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Lender as security, the following property and interests in property of Borrower, whether now owned or hereafter acquired or existing, and wherever located (together with all other collateral security for the Obligations at any time granted to or held or acquired by Lender, collectively, the "Collateral"):

5.1 Receivables;

5.2 all other present and future general intangibles (including Intellectual Property and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, investment property (including securities, whether certificated or uncertificated, securities accounts, security entitlements, commodity contracts or commodity accounts), letters of credit, bankers' acceptances and guaranties;

5.3 all present and future monies, securities and other investment property, credit balances, deposits, deposit accounts and other property of Borrower now or hereafter held or received by or in transit to Lender or its Affiliates or at any other depository or other institution from or for the account of Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Receivables and other Collateral, including (a) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (b) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lien or secured party, (c) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Receivables or other Collateral, including returned, repossessed and

31

reclaimed goods, and (d) deposits by and property of account debtors or other persons securing the obligations of account debtors;

5.4 Inventory;

5.5 Equipment;

5.6 Real Property;

5.7 Records; and

5.8 all products and proceeds of the foregoing, in any form, including insurance proceeds and all claims against third parties for loss or damage to or destruction of any or all of the foregoing.

5.9 Notwithstanding anything to the contrary contained in Section 5.1 through 5.8 above, the types or items of Collateral described in such Section shall not include any Equipment which is, or at the time of Borrower's acquisition thereof shall be, subject to a purchase money mortgage or other purchase money lien or security interest (including capitalized or finance leases) permitted under Section 9.8 hereof if: (a) the valid grant of a security interest or lien to Lender in such item of Equipment is prohibited by the terms of the agreement between Borrower and the holder of such purchase money mortgage or other purchase money lien or security interest or under applicable law and such prohibition has not been or is not waived, or the consent of the holder of the purchase money mortgage or other purchase money lien or security interest has not been or is not otherwise obtained, or under applicable law such prohibition cannot be waived and (b) the purchase money mortgage or other purchase money lien or security interest on such item of Equipment is or shall become valid and perfected.

SECTION 6. COLLECTION AND ADMINISTRATION

6.1 Borrower's Loan Account. Lender shall maintain one or more loan

account(s) on its books in which shall be recorded (a) all Loans, Letter of Credit Accommodations and other Obligations and the Collateral, (b) all payments made by or on behalf of Borrower and (c) all other appropriate debits and credits as provided in this Agreement, including fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Lender's customary practices as in effect from time to time.

6.2 Statements. Lender shall render to Borrower each month a statement

setting forth the balance in the Borrower's loan account(s) maintained by Lender for Borrower pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Lender but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrower and conclusively binding upon Borrower as an account stated except to the extent that Lender receives a written notice from Borrower of any specific exceptions of Borrower thereto within thirty (30) days after the date such statement has been mailed by Lender. Until such time as Lender shall have rendered to

32

Borrower a written statement as provided above, the balance in Borrower's loan account(s) shall be presumptive evidence of the amounts due and owing to Lender by Borrower.

6.3 Collection of Accounts.

(a) Borrower shall establish and maintain, at its expense, blocked accounts or lockboxes and related blocked accounts (in either case, "Blocked Accounts"), as Lender may specify, with such banks as are acceptable to Lender into which Borrower shall promptly deposit and direct its account debtors to directly remit all payments on Receivables and all payments constituting proceeds of Inventory or other Collateral in the identical form in which such payments are made, whether by cash, check or other manner. The banks at which the Blocked Accounts are established shall enter into an agreement, in form and substance satisfactory to Lender, providing that all items received or deposited in the Blocked Accounts are the property of Lender, that the depository bank has no lien upon, or right to setoff against, the Blocked Accounts, the items received for deposit therein, or the funds from time to time on deposit therein and that the depository bank will wire, or otherwise transfer, in immediately available funds, on a daily basis, all funds received or deposited into the Blocked Accounts to such bank account of Lender as Lender may from time to time designate for such purpose ("Payment Account"). Borrower agrees that all payments made to such Blocked Accounts or other funds received and collected by Lender, whether in respect of the Receivables, as proceeds of Inventory or other Collateral or otherwise shall be treated as payments to Lender in respect of the Obligations and therefore shall constitute the property of Lender to the extent of the then outstanding Obligations.

(b) For the purposes of calculating interest on the Obligations, such payments or other funds received will be applied (conditional upon final collection) to the Obligations one (1) Business Day following the date of receipt of immediately available funds by Lender in the Payment Account. For purposes of calculating the amount of the Revolving Loans available to Borrower, such payments will be applied (conditional upon final collection) to the Obligations on the Business Day of receipt by Lender of immediately available funds in the Payment Account, if such payments are received in sufficient time (in accordance with Lender's usual and customary practices as in effect from time to time) to credit Borrower's loan account on such day, and if not, then on the next Business Day.

(c) Borrower and all of shareholders, directors, employees, agents, Subsidiaries or other Affiliates shall, acting as trustee for Lender, receive, as the property of Lender, any monies, checks, notes, drafts or any other payment relating to and/or proceeds of Accounts or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall deposit or cause the same to be deposited in the Blocked Accounts, or remit the same or cause the same to be remitted, in kind, to Lender. In no event shall the same be commingled with Borrower's own funds. Borrower agrees to reimburse Lender on demand for any amounts owed or paid to any bank at which a Blocked Account is established or any other bank or person involved in the transfer of funds to or from the Blocked Accounts arising out of Lender's payments to or indemnification of such bank or person. The obligation of Borrower to

33

reimburse Lender for such amounts pursuant to this Section 6.3 shall survive the termination or non-renewal of this Agreement.

6.4 Payments. All Obligations shall be payable to the Payment Account as

provided in Section 6.3 or such other place as Lender may designate from time to time. Lender shall apply payments received or collected from Borrower or for the account of Borrower (including the monetary proceeds of collections or of realization upon any Collateral) as follows: first, to pay any fees, indemnities or expense reimbursements then due to Lender from Borrower; second, to pay interest due in respect of any Loans; third, to pay principal due in respect of the Loans; fourth, to pay or prepay any other Obligations whether or not then due, in such order and manner as Lender determines. Notwithstanding anything to the contrary contained in this Agreement, unless so directed by Borrower, or unless an Event of Default shall exist or have occurred and be continuing, Lender shall not apply any payments which it receives to any Eurodollar Rate

Loans, except (a) on the expiration date of the Interest Period applicable to any such Eurodollar Rate Loans, or (b) in the event that there are no outstanding Prime Rate Loans. At Lender's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Financing Agreements may be charged directly to the loan account(s) of Borrower. Borrower shall make all payments to Lender on the Obligations free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Lender. Borrower shall be liable to pay to Lender, and does hereby indemnify and hold Lender harmless for the amount of any payments or proceeds surrendered or returned. This Section 6.4 shall remain effective notwithstanding any contrary action which may be taken by Lender in reliance upon such payment or proceeds. This Section 6.4 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

6.5 Authorization to Make Loans. Lender is authorized to make the Loans and

provide the Letter of Credit Accommodations based upon telephonic or other instructions received from anyone purporting to be an officer of Borrower or other authorized person or, at the discretion of Lender, if such Loans are necessary to satisfy any Obligations. All requests for Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established (which day shall be a Business Day) and the amount of the requested Loan. Requests received after 11:00 a.m. Atlanta, Georgia time on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrower when deposited to the credit of Borrower or otherwise disbursed or established in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

34

6.6 Use of Proceeds. The initial Revolving Loan under this Agreement shall

be in an amount that is not less than \$250,000. Borrower shall use the initial proceeds of the Loans provided by Lender to Borrower hereunder only for: (a) payments to each of the persons listed in the disbursement direction letter furnished by Borrower to Lender on or about the date hereof and (b) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Financing Agreements. All other Loans made or Letter of Credit Accommodations provided by Lender to Borrower pursuant to the provisions hereof shall be used by Borrower only for general operating, working capital and other proper corporate purposes of Borrower not otherwise prohibited by the terms hereof. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purposes of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Loans to be considered a "purpose credit" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended.

SECTION 7. COLLATERAL REPORTING AND COVENANTS -----

7.1 Collateral Reporting. -----

(a) Borrower shall provide Lender with the following documents in a form satisfactory to Lender:

(i) on a weekly basis or more frequently, as required by Lender, a schedule of sales made, credits issued and cash received;

(ii) on a monthly basis or more frequently as Lender may request, (A) perpetual inventory reports, (B) inventory reports by location and category, (C) agings of accounts payable (and including information

indicating the status of payments to owners and lessors of the leased premises of Borrower) and (D) agings of accounts receivable (together with a reconciliation to the previous month's aging and general ledger);

(iii) upon Lender's request, (A) copies of customer statements and credit memos, remittance advices and reports, and copies of deposit slips and bank statements, (B) copies of shipping and delivery documents, and (C) copies of purchase orders, invoices and delivery documents for Inventory and Equipment acquired by Borrower;

(iv) such other reports as to the Collateral as Lender shall request from time to time; and

(b) If any of Borrower's records or reports of the Collateral are prepared or maintained by an accounting service, contractor, shipper or other agent, Borrower hereby irrevocably authorizes such service, contractor, shipper or agent to deliver such records, reports, and related documents to Lender and to follow Lender's instructions with respect to further services at any time that an Event of Default exists or has occurred and is continuing.

7.2 Accounts Covenants.

(a) Borrower shall notify Lender promptly of: (i) any material delay in Borrower's performance of any of its obligations to any account debtor involving an Account exceeding \$100,000 or the assertion of any claims, offsets, defenses or counterclaims by any account debtor involving an amount exceeding \$100,000, or any disputes with account debtors, or any settlement, adjustment or compromise thereof involving an amount exceeding \$100,000, (ii) all material adverse information relating to the financial condition of any account debtor and (iii) any event or circumstance which, to Borrower's knowledge would cause Lender to consider any then existing Accounts as no longer constituting Eligible Accounts. No credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor without Lender's consent, except in the ordinary course of Borrower's business in accordance with practices and policies previously disclosed in writing to Lender. So long as no Event of Default exists or has occurred and is continuing, Borrower shall settle, adjust or compromise any claim, offset, counterclaim or dispute with any account debtor. At any time that an Event of Default exists or has occurred and is continuing, Lender shall, at its option, have the exclusive right to settle, adjust or compromise any claim, offset, counterclaim or dispute with account debtors or grant any credits, discounts or allowances.

(b) Without limiting the obligation of Borrower to deliver any other information to Lender, Borrower shall promptly report to Lender any return of Inventory by any one account debtor if the Inventory so returned in such case has a value in excess of \$50,000. At any time that Inventory is returned, reclaimed or repossessed, the Account (or portion thereof) which arose from the sale of such returned, reclaimed or repossessed Inventory shall not be deemed an Eligible Account. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Borrower shall, upon Lender's request, (i) hold the returned Inventory in trust for Lender, (ii) segregate all returned Inventory from all of its other property, (iii) dispose of the returned Inventory solely according to Lender's instructions, and (iv) not issue any credits, discounts or allowances with respect thereto without Lender's prior written consent.

(c) With respect to each Account: (i) the amounts shown on any invoice delivered to Lender or schedule thereof delivered to Lender shall be true and complete, (ii) no payments shall be made thereon except payments immediately delivered to Lender pursuant to the terms of this Agreement, (iii) no credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor except as reported to Lender in accordance with this Agreement and except for credits, discounts, allowances or extensions made or given in the ordinary course of Borrower's business in accordance with practices and policies previously disclosed to Lender, (iv) there shall be no setoffs, deductions, contra, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Lender in accordance with the terms of this Agreement, (v) none of the transactions giving rise thereto will violate any applicable State or Federal laws or regulations, all documentation relating thereto will be legally sufficient under such laws and regulations and all such documentation will be legally enforceable in accordance

with its terms.

36

(d) Lender shall have the right at any time or times, in Lender's name or in the name of a nominee of Lender, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise.

(e) Borrower shall deliver or cause to be delivered to Lender, with appropriate endorsement and assignment, with full recourse to Borrower, all chattel paper and instruments which Borrower now owns or may at any time acquire immediately upon Borrower's receipt thereof, except as Lender may otherwise agree.

(f) Lender may, at any time or times that an Event of Default exists or has occurred and is continuing, (i) notify any or all account debtors that the Accounts have been assigned to Lender and that Lender has a security interest therein and Lender may direct any or all accounts debtors to make payment of Accounts directly to Lender, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Lender shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Lender may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Lender's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Lender and are payable directly and only to Lender and Borrower shall deliver to Lender such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Lender may require.

7.3 Inventory Covenants. With respect to the Inventory: (a) Borrower shall

at all times maintain inventory records reasonably satisfactory to Lender, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Borrower's cost therefor and daily withdrawals therefrom and additions thereto; (b) Borrower shall conduct a physical count of the Inventory at least once each year, but at any time or times as Lender may request on or after an Event of Default, and promptly following such physical inventory shall supply Lender with a report in the form and with such specificity as may be reasonably satisfactory to Lender concerning such physical count; (c) Borrower shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Lender, except for sales of Inventory in the ordinary course of Borrower's business and except to move Inventory directly from one location set forth or permitted herein to another such location and except for Inventory shipped from the manufacturer thereof to Borrower which is in transit to the locations set forth or permitted herein; (d) upon Lender's request, Borrower shall, at its expense, twice in any twelve (12) month period, but at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender, addressed to Lender and upon which Lender is expressly permitted to rely; (e) Borrower shall produce, use, store and maintain the Inventory with all

37

reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto); (f) Borrower assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory; (g) Borrower shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Borrower to repurchase such Inventory except for the right of return given to customers of Borrower consistent with its current policies as of the date hereof; (h) Borrower shall keep the Inventory in good and marketable condition; and (i) Borrower shall not, without prior written notice to Lender,

acquire or accept any Inventory on consignment or approval.

7.4 Equipment and Real Property Covenants. With respect to the Equipment

and Real Property: (a) at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Equipment and/or the Real Property in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender, addressed to Lender and upon which Lender is expressly permitted to rely; (b) Borrower shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted); (c) Borrower shall use the Equipment and Real Property with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws; (d) the Equipment is and shall be used in Borrower's business and not for personal, family, household or farming use; (e) Borrower shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Borrower or to move Equipment directly from one location set forth or permitted herein to another such location except for the movement of motor vehicles used by or for the benefit of Borrower in the ordinary course of business and Borrower shall not remove any Equipment currently located in the United States to any location outside of the United States except for the excess sewing equipment currently located at 314 Water Street, Washington, Georgia; (f) the Equipment is now and shall remain personal property and Borrower shall not permit any of the Equipment to be or become a part of or affixed to real property so as to become a fixture or an accession to real property unless it is attached to the Real Property subject to the Mortgage; and (g) Borrower assumes all responsibility and liability arising from the use of the Equipment and Real Property.

7.5 Power of Attorney. Borrower hereby irrevocably designates and appoints

Lender (and all persons designated by Lender) as Borrower's true and lawful attorney-in-fact, and authorizes Lender, in Borrower's or Lender's name, to: (a) at any time an Event of Default or act, condition or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing (i) demand payment on Receivables or other Collateral, (ii) enforce payment of Receivables by legal proceedings or otherwise, (iii) exercise all of Borrower's rights and remedies to collect any Receivable or other Collateral, (iv) sell or assign any Receivable upon such terms, for such amount and at such time or times as the Lender deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Receivable, (vii) prepare, file and sign Borrower's name on any proof of claim in bankruptcy or other similar document against an account debtor other obligor in respect of any Receivables or other Collateral, (viii) notify the post office authorities to change the address for

delivery of remittances from account debtors or other obligors in respect of Receivables or other proceeds of Collateral to an address designated by Lender, and open and dispose of all mail addressed to Borrower and handle and store all mail relating to the Collateral; and (ix) do all acts and things which are necessary, in Lender's determination, to fulfill Borrower's obligations under this Agreement and the other Financing Agreements and (b) at any time to (i) take control in any manner of any item of payment in respect of Receivables or constituting Collateral or otherwise received in or for deposit in the Blocked Accounts or otherwise received by Lender, (ii) have access to any lockbox or postal box into which remittances from account debtors or other obligors in respect of Receivables or other proceeds of Collateral are sent or received, (iii) endorse Borrower's name upon any items of payment in respect of Receivables or constituting Collateral or otherwise received by Lender and deposit the same in Lender's account for application to the Obligations, (iv) endorse Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Receivable or any goods pertaining thereto or any other Collateral, including any warehouse or other receipts, or bills of lading and other negotiable or non-negotiable documents, (v) clear Inventory the purchase of which was financed with Letter of Credit Accommodations through U.S. Customs in Borrower's name, Lender's name or the name of Lender's designee, and to sign and deliver to customs officials powers of attorney in Borrower's name for such purpose, and to complete in Borrower's or Lender's name, any order, sale or transaction, obtain the necessary documents in connection therewith and collect the proceeds thereof, (vi) sign Borrower's name on any verification of Receivables and notices thereof to account debtors or other obligors in respect thereof and (vii) execute in Borrower's name and

file any UCC financing statements or amendments thereto. Borrower hereby releases Lender and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Lender's own gross negligence or wilful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

7.6 Right to Cure. Lender may, at its option, (a) upon notice to Borrower,

cure any default by Borrower under any material agreement with a third party which affects the Collateral, its value or the ability of Lender to collect, sell or otherwise dispose of the Collateral or the rights and remedies of Lender therein or the ability of Borrower to perform its obligations under the other Financing Agreements, (b) pay or bond on appeal any judgment entered against Borrower, (c) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and (d) pay any amount, incur any expense or perform any act which, in Lender's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Lender with respect thereto. Lender may add any amounts so expended to the Obligations and charge Borrower's account therefor, such amounts to be repayable by Borrower on demand. Lender shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Borrower. Any payment made or other action taken by Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

39

7.7 Access to Premises. From time to time as requested by Lender, at the

cost and expense of Borrower, (a) Lender or its designee shall have complete access to all of Borrower's premises during normal business hours and after notice to Borrower, or at any time and without notice to Borrower if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Borrower's books and records, including the Records, and (b) Borrower shall promptly furnish to Lender such copies of such books and records or extracts therefrom as Lender may request, and (c) Lender or its designee may use during normal business hours such of Borrower's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing (provided, that, Borrower shall make such personnel, equipment, supplies and premises available to Lender or its designee in such manner so as to minimize any interference with the operations of Borrower and so as to enable Lender or its designee to comply with applicable health and safety procedures and regulations) and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

7.8 Bills of Lading and Other Documents of Title. In the event that any

Inventory which would otherwise be Eligible Inventory located outside the United States of America which is in transit to premises of a Customs Broker in the United States or premises of Borrower as described in the definition of Eligible Inventory, constitutes Eligible Inventory then (a) Borrower shall cause all bills of lading and other documents of title relating to goods being purchased by Borrower which are outside the United States and in transit to the premises of Borrower or the premises of a Customs Broker in the United States to name Borrower as consignee, unless and until Lender may direct otherwise; (b) at such time and from time to time as Lender may direct, Borrower shall cause Lender or such financial institution or other person as Lender may specify to be named as consignee; (c) without limiting any other rights of Lender hereunder, Lender shall have the right to endorse and negotiate on behalf of, and as attorney-in-fact for, Borrower any bill of lading or other document of title with respect to such goods naming Borrower as consignee to Lender; (d) there shall be three (3) originals of each of such bill of lading or other document of title which unless and until Lender shall direct otherwise shall be delivered as follows: (i) one (1) original to such Customs Broker as Borrower may specify (so long as Lender has received a Collateral Access Agreement duly authorized, executed and delivered by such Customs Broker), and (ii) two (2) originals to Lender or to such other person as Lender may designate for such purpose; (e) Borrower shall obtain a copy (but not the originals) of such bill of lading or other documents from the Customs Broker; and (f) Borrower shall cause all bills of lading or other documents of title relating to goods purchased by Borrower which are outside the United States and in transit to the premises of Borrower or the premises of a Customs Broker in the United States to be issued in a form

so as to constitute negotiable documents as such term is defined in the Uniform Commercial Code.

SECTION 8. REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Lender the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing

40

condition of the making of Loans and providing Letter of Credit Accommodations by Lender to Borrower:

8.1 Corporate Existence, Power and Authority; Subsidiaries. Borrower is a

corporation duly organized and in good standing under the laws of its state of incorporation and is duly qualified as a foreign corporation and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on Borrower's financial condition, results of operation or business or the rights of Lender in or to any of the Collateral. The execution, delivery and performance of this Agreement, the other Financing Agreements and the transactions contemplated hereunder and thereunder are all within Borrower's corporate powers, have been duly authorized and are not in contravention of law or the terms of Borrower's certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower or its property are bound. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms. Borrower does not have any Subsidiaries except as set forth on the Information Certificate.

8.2 Financial Statements; No Material Adverse Change. (a) All financial

statements relating to Borrower which have been or may hereafter be delivered by Borrower to Lender have been prepared in accordance with GAAP and fairly present the financial condition and the results of operation of Borrower as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by Borrower to Lender prior to the date of this Agreement, there has been no material adverse change in the assets, liabilities, properties and condition, financial or otherwise, of Borrower, since the date of the most recent audited financial statements furnished by Borrower to Lender prior to the date of this Agreement.

(b) The pro forma balance sheets and future cash flow projections attached as Schedule 8.2 for Borrower and its Subsidiaries (together with the summaries of assumptions and projected assumptions, based on historical performance with respect thereto) furnished by Borrower to Lender prior to the date of this Agreement represent the reasonable, good faith opinion of Borrower and its management as to the subject matter thereof.

8.3 Chief Executive Office; Collateral Locations. The chief executive

office of Borrower and Borrower's Records concerning Accounts are located only at the address set forth on the signature page hereto, and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in the Information Certificate, subject to the right of Borrower to establish new locations in accordance with Section 9.2 below. The Information Certificate correctly identifies any of such locations which are not owned by Borrower and sets forth the owners and/or operators thereof and to the best of Borrower's knowledge, the holders of any mortgages on such locations.

8.4 Priority of Liens; Title to Properties. The security interests and

liens granted to Lender under this Agreement and the other Financing Agreements constitute valid and perfected

41

first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 8.4 hereto and the other liens permitted

under Section 9.8 hereof other than Collateral located in Borrower's locations outside of the United States as set forth in item 9 of the Information Certificate and Mexico, pursuant to Section 9.10 hereof. Borrower has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Lender and such others as are specifically listed on Schedule 8.4 hereto or permitted under Section 9.8 hereof.

8.5 Tax Returns. Borrower has filed, or caused to be filed, in a timely

manner all tax returns, reports and declarations which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

8.6 Litigation. Except as set forth on the Information Certificate, there

is no present investigation by any Governmental Authority pending, or to the best of Borrower's knowledge threatened, against or affecting Borrower, its assets or business and there is no action, suit, proceeding or claim by any Person pending, or to the best of Borrower's knowledge threatened, against Borrower or its assets or goodwill, or against or affecting any transactions contemplated by this Agreement, which if adversely determined against Borrower would result in any material adverse change in the assets, business or prospects of Borrower or would impair the ability of Borrower to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce any Obligations or realize upon any Collateral.

8.7 Compliance with Other Agreements and Applicable Laws.

(a) Borrower is not in default in any material respect under, or in violation in any respect of any of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound. Borrower is in compliance in all material respects with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority relating to its business, including, without limitation, those set forth in or promulgated pursuant to the Occupational Safety and Health Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, ERISA, the Code, as amended, and the rules and regulations thereunder, all Federal, State and local statutes, regulations, rules and orders relating to consumer credit (including, without limitation, as each has been amended, the Truth-in-Lending Act, the Fair Credit Billing Act, the Equal Credit Opportunity Act and the Fair Credit Reporting Act, and regulations, rules and orders promulgated thereunder), all Federal, State and local states, regulations, rules and orders pertaining to sales of consumer goods (including, without limitation, the Consumer Products Safety Act of 1972, as amended, and the Federal Trade Commission Act of 1914, as amended, and all regulations, rules and orders promulgated thereunder).

(b) Borrower has obtained all material permits, licenses, approvals, consents, certificates, orders or authorizations of any governmental agency required for the lawful conduct of its business. Schedule 8.7 hereto sets forth all material permits, licenses, approvals, consents, certificates, orders or authorizations (the "Permits") issued to or held by Borrower as of the date hereof by any Federal, State or local governmental agency and any applications pending by Borrower with such federal, state or local governmental agency. The Permits constitute all permits, licenses, approvals, consents, certificates, orders or authorizations necessary for Borrower to own and operate its business as presently conducted or proposed to be conducted where the failure to have such Permits would have a material adverse effect on the business, performance, operations or properties of Borrower or the legality, validity or enforceability of this Agreement or the other Financing Agreements or the ability of Borrower to perform its obligations under the Agreement or any of the other Financing Agreements or the rights and remedies of Lender under this Agreement or any of the other Financing Agreements. All of the Permits are valid and subsisting and in full force and effect. There are no actions, claims or proceedings pending or

threatened that seek the revocation, cancellation, suspension or modification of any of the Permits.

8.8 Environmental Compliance.

(a) Except as set forth on Schedule 8.8 hereto, Borrower and any Subsidiary have not generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder and the operations of Borrower and any Subsidiary complies in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder.

(b) Except as set forth on Schedule 8.8 hereto, there has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or to the best of Borrower's knowledge threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by Borrower and any Subsidiary or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter, which affects Borrower or its business, operations or assets or any properties at which Borrower has transported, stored or disposed of any Hazardous Materials.

(c) Borrower and its Subsidiaries have no material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials.

(d) Borrower and its Subsidiaries have all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with the operations of

43

Borrower under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

8.9 Employee Benefits.

(a) Each Plan is in material compliance with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service and to the best knowledge of the Borrower, nothing has occurred which would cause the loss of such qualification. Borrower and its ERISA Affiliates have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or to the best knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has not been fully cured by reversal of the transaction or otherwise, including payment in full of any applicable fees or penalties.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) the current value of each Plan's assets (determined in accordance with the assumptions used for funding such Plan pursuant to Section 412 of the Code) do not exceed such Plan's liabilities under Section 4001(a)(16) of ERISA; (iii) Borrower and its ERISA Affiliate have not incurred and do not reasonably expect to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) Borrower and its ERISA Affiliates have not incurred and do not reasonably expect to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) Borrower and its ERISA Affiliates have not engaged in a transaction that

could be subject to Section 4069 or 4212(c) of ERISA.

8.10 Bank Accounts. All of the deposit accounts, investment accounts or

other accounts in the name of or used by Borrower maintained at any bank or other financial institution are set forth on Schedule 8.10 hereto, subject to the right of Borrower to establish new accounts in accordance with Section 9.13 below.

8.11 Intellectual Property. Borrower owns or licenses or otherwise has the

right to use all Intellectual Property necessary for the operation of its business as presently conducted or proposed to be conducted. As of the date hereof, Borrower does not have any Intellectual Property registered, or subject to pending applications, in the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than those described in Schedule 8.11 hereto and has not granted any licenses with respect thereto other than as set forth in Schedule 8.11 hereto. No event has occurred which permits or would permit after notice or passage of time or

44

both, the revocation, suspension or termination of such rights. To the best of the knowledge of Borrower, no slogan or other advertising device, product, process, method, substance or other Intellectual Property or goods bearing or using any Intellectual Property presently contemplated to be sold by or employed by Borrower infringes any patent, trademark, servicemark, tradename, copyright, license or other Intellectual Property owned by any other Person presently and no claim or litigation is pending or threatened against or affecting Borrower contesting its right to sell or use any such Intellectual Property. Schedule 8.11 sets forth all of the agreements or other arrangements of Borrower pursuant to which Borrower has a license or other right to use any trademarks, logos, designs, representations or other Intellectual Property owned by another person as in effect on the date hereof and the dates of the expiration of such agreements or other arrangements of Borrower as in effect on the date hereof. No trademark, servicemark or other Intellectual Property at any time used by Borrower which is owned by another person, or owned by Borrower subject to any security interest, lien, collateral assignment, pledge or other encumbrance in favor of any person other than Lender, is affixed to any Eligible Inventory, except to the extent permitted under the term of the license agreements listed on Schedule 8.11 hereto.

8.12 Acquisition of Assets.

(a) The Distribution Agreements and the transactions contemplated thereunder have been duly executed, delivered and performed (except to the extent that the Distribution Agreements as in effect on the date hereof expressly contemplate performance after the date hereof) in accordance with their terms by the respective parties thereto in all material respects, including the fulfillment of all conditions precedent set forth therein and giving effect to the terms of the Distribution Agreements and the assignments to be executed and delivered by Woodside (or any of its affiliates or subsidiaries) thereunder, Borrower has acquired and has good and marketable title to the assets of the Delta Apparel division of Woodside, free and clear of all claims, liens, pledges and encumbrances of any kind, except as permitted hereunder. Borrower has acquired all of the assets consisting of the Delta Apparel Company division of all of the various subsidiaries of Woodside.

(b) All actions and proceedings, required by the Distribution Agreements in respect of the Intercompany Reorganization (as such term is defined in the DWI Distribution Agreement), applicable law or regulation (including, but not limited to, compliance with the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended if applicable) to be taken have been taken and the transactions required thereunder have been duly and validly taken and consummated hereof (except for those provisions thereof that are solely for the benefit of Woodside and not for Borrower and which do not otherwise affect or relate to Borrower).

(c) No court of competent jurisdiction has issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Distribution Agreements and no governmental or other action or proceeding has been threatened or commenced, seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the Distribution Agreements.

(d) Borrower has delivered, or caused to be delivered, to Lender, true, correct and complete copies of the Distribution Agreements.

8.13 Solvency. Borrower is solvent and will continue to be solvent after

the creation of the Obligations, the security interests of Lender and the other transaction contemplated hereunder, is able to pay its debts as they mature and has (and has reason to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business and all businesses in which it is about to engage. The assets and properties of Borrower at a fair valuation and at their present salable value are, and will be, greater than the Indebtedness of Borrower, and including subordinated and contingent liabilities computed at the amount which, to the best of Borrower's knowledge, represents an amount which can reasonably be expected to become an actual or mature liability.

8.14 Labor Disputes.

(a) Set forth on Schedule 8.14 hereto is a list (including dates of termination) of all collective bargaining or similar agreements between or applicable to Borrower and any union, labor organization or other bargaining agent in respect of the employees of Borrower on the date hereof.

(b) There is (i) no significant unfair labor practice complaint pending against Borrower or, to the best of the knowledge of Borrower, threatened against it, before the National Labor Relations Board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is pending on the date hereof against Borrower or, to the best of the knowledge of Borrower, threatened against it, and (ii) no significant strike, labor dispute, slowdown or stoppage is pending against Borrower or, to the best of the knowledge of Borrower, threatened against Borrower.

8.15 Corporate Name; Prior Transactions. Borrower has not, during the past

five years, been known by or used by any other corporate or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its property or assets out of the ordinary course of business, except as set forth in the Information Certificate.

8.16 Restrictions on Subsidiaries. Except for restrictions contained in

this Agreement or any other agreement with respect to Indebtedness of Borrower permitted hereunder as in effect on the date hereof, there are no contractual or consensual restrictions on Borrower or any of its Subsidiaries which prohibit or otherwise restrict (a) the transfer of cash or other assets (i) between Borrower and any of its Subsidiaries or (ii) between any Subsidiaries of Borrower or (b) the ability of Borrower or any of its Subsidiaries to incur Indebtedness or grant security interests to Lender in the Collateral.

8.17 Material Contracts. Schedule 8.17 hereto sets forth all Material

Contracts to which Borrower is a party or is bound as of the date hereof. Borrower has delivered true, correct and complete copies of such Material Contracts to Lender on or before the date hereof. Borrower is

not in breach of or in default under any Material Contract and has not received any notice of the intention of any other party thereto to terminate any Material Contract.

8.18 Accuracy and Completeness of Information. All information furnished by

or on behalf of Borrower in writing to Lender in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, including all information on the Information Certificate is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred

which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Borrower, which has not been fully and accurately disclosed to Lender in writing.

8.19 Survival of Warranties; Cumulative. All representations and warranties

contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Lender on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Borrower shall now or hereafter give, or cause to be given, to Lender.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS

9.1 Maintenance of Existence. Borrower shall at all times preserve, renew

and keep in full, force and effect its corporate existence and rights and franchises with respect thereto and maintain in full force and effect all permits, licenses, trademarks, tradenames, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted. Borrower shall give Lender thirty (30) days prior written notice of any proposed change in its corporate name, which notice shall set forth the new name and Borrower shall deliver to Lender a copy of the amendment to the Certificate of Incorporation of Borrower providing for the name change certified by the Secretary of State of the jurisdiction of incorporation of Borrower as soon as it is available.

9.2 New Collateral Locations. Borrower may open any new location within the

continental United States provided Borrower (a) gives Lender fifteen (15) days prior written notice of the intended opening of any such new location and (b) executes and delivers, or causes to be executed and delivered, to Lender such agreements, documents, and instruments as Lender may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including UCC financing statements.

9.3 Compliance with Laws, Regulations, Etc.

(a) Borrower shall, and shall cause any Subsidiary to, at all times, comply in all material respects with all laws, rules, regulations, licenses, permits, approvals and orders

applicable to it and duly observe all requirements of any Federal, State or local Governmental Authority, including ERISA, the Code, the Occupational Safety and Health Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, and all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including all of the Environmental Laws.

(b) At the reasonable request of Lender and in any event, to the extent required by applicable law, Borrower shall establish and maintain, at its expense, a system to assure and monitor its continued compliance with all Environmental Laws in all of its operations, which system shall include annual reviews of such compliance by employees or agents of Borrower who are familiar with the requirements of the Environmental Laws. Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by Borrower to Lender. Borrower shall take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Lender on such response.

(c) Borrower shall give both oral and written notice to Lender immediately upon Borrower's receipt of any notice of, or Borrower's otherwise obtaining knowledge of, (i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any

Environmental Law by Borrower or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or (D) any other environmental, health or safety matter, which affects Borrower or its business, operations or assets or any properties at which Borrower transported, stored or disposed of any Hazardous Materials.

(d) Without limiting the generality of the foregoing, whenever Lender reasonably determines that there is non-compliance, or any condition which requires any action by or on behalf of Borrower in order to avoid any material non-compliance, with any Environmental Law, Borrower shall, at Lender's request and Borrower's expense: (i) cause an independent environmental engineer acceptable to Lender to conduct such tests of the site where Borrower's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to Lender a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof and (ii) provide to Lender a supplemental report of such engineer whenever the scope of such non-compliance, or Borrower's response thereto or the estimated costs thereof, shall change in any material respect.

(e) Borrower shall indemnify and hold harmless Lender, its directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including attorneys' fees and legal expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material, including the costs of any required or necessary repair, cleanup or other

48

remedial work with respect to any property of Borrower and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this Section 9.3 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.4 Payment of Taxes and Claims. Borrower shall, and shall cause any

Subsidiary to, duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower or such Subsidiary, as the case may be, and with respect to which adequate reserves have been set aside on its books. Borrower shall be liable for any tax or penalties imposed on Lender as a result of the financing arrangements provided for herein and Borrower agrees to indemnify and hold Lender harmless with respect to the foregoing, and to repay to Lender on demand the amount thereof, and until paid by Borrower such amount shall be added and deemed part of the Loans, provided, that, nothing contained herein shall be construed to require Borrower to pay any income or franchise taxes attributable to the income of Lender from any amounts charged or paid hereunder to Lender. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.5 Insurance. Borrower shall, and shall cause any Subsidiary to, at all

times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Lender as to form, amount and insurer. Borrower shall furnish certificates, policies or endorsements to Lender as Lender shall require as proof of such insurance, and, if Borrower fails to do so, Lender is authorized, but not required, to obtain such insurance at the expense of Borrower. All policies shall provide for at least thirty (30) days prior written notice to Lender of any cancellation or reduction of coverage and that Lender may act as attorney for Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Borrower shall cause Lender to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Borrower shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Lender. Such lender's loss payable endorsements shall specify that the proceeds of such insurance

shall be payable to Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrower or any of its Affiliates. At its option, Lender may apply any insurance proceeds received by Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as Lender may determine or hold such proceeds as cash collateral for the Obligations.

9.6 Financial Statements and Other Information.

(a) Borrower shall, and shall cause any Subsidiary to, keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in

49

relation to the Collateral and the business of Borrower and its Subsidiaries in accordance with GAAP. Borrower shall promptly furnish to Lender all such financial and other information as Lender shall reasonably request relating to the Collateral and the assets, business and operations of Borrower, and to notify the auditors and accountants of Borrower that Lender is authorized to obtain such information directly from them. Without limiting the foregoing, Borrower shall furnish or cause to be furnished to Lender, the following: (i) within thirty (30) days after the end of each fiscal month (other than at the end of a fiscal quarter), monthly unaudited consolidated financial statements (including in each case balance sheets, statements of income and loss, statements of cash flow, and statements of shareholders' equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its Subsidiaries as of the end of and through such fiscal month, certified to be correct by the chief financial officer of Borrower, subject to normal year-end adjustments, (ii) within forty-five (45) days after the end of each fiscal quarter (other than at the end of the fiscal year), unaudited consolidated financial statements (including in each case balance sheets, statements of income and loss, statements of cash flow, and statements of shareholders' equity) and (iii) within ninety (90) days after the end of each fiscal year, audited consolidated financial statements (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and the accompanying notes thereto, all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its Subsidiaries as of the end of and for such fiscal year, together with the unqualified opinion of independent certified public accountants, which accountants shall be an independent accounting firm selected by Borrower and reasonably acceptable to Lender, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Borrower and its Subsidiaries as of the end of and for the fiscal year then ended.

(b) Borrower shall promptly notify Lender in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations or which would result in any material adverse change in Borrower's business, properties, assets, goodwill or condition, financial or otherwise, (ii) any Material Contract of Borrower being terminated or amended or any new Material Contract entered into (in which event Borrower shall provide Lender with a copy of such Material Contract), (iii) any order, judgment or decree in excess of \$500,000 shall have been entered against Borrower or any of its properties or assets, (iv) any notification of violation of laws or regulations received by Borrower, (v) any ERISA Event, and (vi) the occurrence of any Event of Default or act, condition or event which, with notice or the passage of time or giving of notice or both, would constitute an Event of Default.

(c) Borrower shall promptly after the sending or filing thereof furnish or cause to be furnished to Lender copies of all reports which Borrower sends to its stockholders generally and copies of all reports and registration statements which Borrower files with the Securities and Exchange Commission, any national securities exchange or the National Association of Securities Dealers, Inc.

(d) Borrower shall deliver, or cause to be delivered, to Lender, within ninety (90) days from the date hereof, an opening unaudited consolidated balance sheet of Borrower and its

50

Subsidiaries after giving effect to the transactions contemplated by this

Agreement and the Distribution Agreements, which present fairly the financial condition of Borrower as of such date.

(e) Borrower shall furnish or cause to be furnished to Lender such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrower, as Lender may, from time to time, reasonably request. Lender is hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrower to any court or other Government Authority to the extent required by statute, rule, regulation, subpoena or court order or to any participant or assignee or prospective participant or assignee. Borrower hereby irrevocably authorizes and directs all accountants or auditors to deliver to Lender, at Borrower's expense, copies of the financial statements of Borrower and any reports or management letters prepared by such accountants or auditors on behalf of Borrower and to disclose to Lender such information as they may have regarding the business of Borrower. Any documents, schedules, invoices or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender one (1) year after the same are delivered to Lender, except as otherwise designated by Borrower to Lender in writing.

9.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc. Borrower shall -----
not, and shall not permit any Subsidiary to, directly or indirectly,

(a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it; or

(b) sell, assign, lease, transfer, abandon or otherwise dispose of any Capital Stock or Indebtedness to any other Person or any of its assets to any other Person, except for

(i) sales of Inventory in the ordinary course of business,

(ii) the disposition of worn-out or obsolete Equipment so long as (A) any proceeds are paid to Lender and (B) such sales do not involve Equipment having an aggregate fair market value in excess of \$100,000 all such Equipment disposed of in any fiscal year of Borrower;

(iii) the issuance and sale by Borrower of Capital Stock of Borrower after the date hereof; provided, that, (A) Lender shall have received not less than ten (10) Business Days prior written notice of such issuance and sale by Borrower, which notice shall specify the parties to whom such shares are to be sold, the terms of such sale, the total amount which it is anticipated will be realized from the issuance and sale of such stock and the net cash proceeds which it is anticipated will be received by Borrower from such sale, (B) Borrower shall not be required to pay any cash dividends or repurchase or redeem such Capital Stock or make any other payments in respect thereof except as permitted in Section 9.11 hereof, (C) the terms of such Capital Stock, and the terms and conditions of the purchase and sale thereof, shall not include any terms that include any limitation on the right of Borrower to request or receive Loans or Letter of Credit Accommodations or the right of Borrower to amend or modify any of the terms

51

and conditions of this Agreement or any of the other Financing Agreements or otherwise in any way relate to or affect the arrangements of Borrower with Lender are more restrictive or burdensome to Borrower than the terms of any Capital Stock in effect on the date hereof, and (D) as of the date of such issuance and sale and after giving effect thereto, no Event of Default or act, condition or event which with notice or passage of time or both would constitute an Event of Default shall exist or have occurred;

(iv) the issuance of Capital Stock of Borrower consisting of common stock pursuant to a stock option plan, 401(k) plan, or incentive stock award plan of Borrower for the benefit of its employees, directors and consultants, provided, that, in no event shall Borrower be required to issue, or shall Borrower issue, Capital Stock pursuant to such stock option plan, 401(k) plan, or incentive stock award plan which would result in an Event of Default;

(v) sales of Existing Real Property (other than Existing Real Property covered by a Mortgage pursuant to Section 9.18 hereof) and related assets, provided, that, as to each and all of such sales (A) Lender shall have received not less than ten (10) days prior written notice of such sale, which notice

shall set forth in reasonable detail satisfactory to Lender, the parties to such sale, the Existing Real Property to be sold, the purchase price and the manner of payment thereof and such other information with respect thereto as Lender may request, (B) such sale shall be on commercially reasonable terms in a bona fide arm's-length transaction with a non-affiliated person, (C) all of the Net Proceeds of any such sale shall be paid either (i) directly to Lender or (ii) to Borrower, provided, that, the entire amount of the Net Proceeds are used to repay the outstanding amount of Revolving Loans which amounts may be reborrowed, (D) Borrower shall not incur any liabilities in connection with such sales except as permitted herein, and (E) as of the date of such sale and after giving effect thereto, no Event of Default, or act, condition or event which with notice or passage of time or both would constitute an Event of Default shall exist or have occurred and be continuing.

(c) form or acquire any Subsidiaries other than those listed on the Information Certificate and as permitted in accordance with Section 9.10 hereof;

(d) wind up, liquidate or dissolve; or

(e) agree to do any of the foregoing.

9.8 Encumbrances. Borrower shall not, and shall permit any Subsidiary to, -----
create, incur, assume or suffer to exist any security interest, mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets or properties, including the Collateral, except:

(a) the security interests and liens of Lender;

(b) liens securing the payment of taxes, either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and

52

available to Borrower or such Subsidiary, as the case may be and with respect to which adequate reserves have been set aside on its books;

(c) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of Borrower's or such Subsidiary's business to the extent: (i) such liens secure Indebtedness which is not overdue or (ii) such liens secure Indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested in good faith by appropriate proceedings diligently pursued and available to Borrower or such Subsidiary, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves have been set aside on its books;

(d) zoning restrictions, easements, licenses, covenants and other restrictions affecting the use of Real Property which do not interfere in any material respect with the use of such Real Property or ordinary conduct of the business of Borrower or such Subsidiary as presently conducted thereon or materially impair the value of the Real Property which may be subject thereto;

(e) purchase money security interests in Equipment (including Capital Leases) to secure Indebtedness permitted under Section 9.9(b) hereof; and

(f) the security interests and liens set forth on Schedule 8.4 hereto.

9.9 Indebtedness. Borrower shall not, and shall not permit any Subsidiary -----
to, incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any Indebtedness, except:

(a) the Obligations;

(b) purchase money Indebtedness (including Capital Leases) to the extent secured by purchase money security interests in Equipment (including Capital Leases) not to exceed \$1,000,000 in the aggregate at any time outstanding so long as such security interests do not apply to any property of Borrower other than the Equipment so acquired, and the Indebtedness secured thereby does not exceed the cost of the Equipment so acquired;

(c) Indebtedness of Borrower under interest swap agreements, interest rate cap agreements, interest rate collar agreements, interest rate exchange

agreements and similar contractual agreements entered into for the purpose of protecting a Person against fluctuations in interest rates; provided, that, such arrangements are with banks or other financial institutions that have combined capital and surplus and undivided profits of not less than \$100,000,000 and are not for speculative purposes and such Indebtedness shall be unsecured;

(d) the Indebtedness set forth on Schedule 9.9 hereto; provided, that, (i) Borrower may only make regularly scheduled payments of principal and interest in respect of such Indebtedness in accordance with the terms of the agreement or instrument evidencing or giving

53

rise to such Indebtedness as in effect on the date hereof, (ii) Borrower shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such Indebtedness or any agreement, document or instrument related thereto as in effect on the date hereof except, that, Borrower may, after prior written notice to Lender, amend, modify, alter or change the terms thereof so as to extend the maturity thereof, or defer the timing of any payments in respect thereof, or to forgive or cancel any portion of such Indebtedness (other than pursuant to payments thereof), or to reduce the interest rate or any fees in connection therewith, or (B) redeem, retire, defease, purchase or otherwise acquire such Indebtedness, or set aside or otherwise deposit or invest any sums for such purpose, and (iii) Borrower shall furnish to Lender all notices or demands in connection with such Indebtedness either received by Borrower or on its behalf, promptly after the receipt thereof, or sent by Borrower or on its behalf, concurrently with the sending thereof, as the case may be.

9.10 Loans, Investments, Guarantees, Etc. Borrower shall not, and shall not

permit any Subsidiary to, directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the Capital Stock or Indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the Indebtedness, performance, obligations or dividends of any Person, or form or acquire any Subsidiaries, or agree to do any of the foregoing, except:

(a) the endorsement of instruments for collection or deposit in the ordinary course of business;

(b) investments in cash or Cash Equivalents, provided, that, (i) no Revolving Loans are then outstanding and (ii) as to any of the foregoing, unless waived in writing by Lender, Borrower shall take such actions as are deemed necessary by Lender to perfect the security interest of Lender in such investments;

(c) the existing equity investments of Borrower as of the date hereof in its Subsidiaries, provided, that, Borrower shall have no obligation to make any other investment in, or loans to, or other payments in respect of, any such Subsidiaries;

(d) guarantees by any Subsidiaries of Borrower of the Obligations in favor of Lender; (e) equity investment of Borrower in a wholly-owned Subsidiary organized under the laws of Mexico (the "Mexican Subsidiary"), provided, that, each of the following conditions is satisfied (i) Borrower shall execute and deliver to Lender in form and substance satisfactory to Lender, a pledge and security agreement granting to Lender a first pledge of and lien on at least sixty-five (65%) of all of the issued and outstanding shares of Capital Stock of such Subsidiary, (ii) Borrower shall deliver the original stock certificates evidencing such shares of Capital Stock (or such other evidence as may be issued in the case of a limited liability company) together with stock powers with respect thereto duly executed in blank, and (iii) as of the date of such investment and after giving effect thereto, no Event of Default, or act, condition or event which

54

with notice or passage of time or both would constitute an Event of Default shall exist or have occurred;

(f) stock or obligations issued to Borrower by any Person (or the representative of such Person) in respect of Indebtedness of such Person owing to Borrower in connection with the insolvency, bankruptcy, receivership or

reorganization of such Person or a composition or readjustment of the debts of such Person; provided, that, the original of any such stock or instrument evidencing such obligations shall be promptly delivered to Lender, upon Lender's request, together with such stock power, assignment or endorsement by Borrower as Lender may request;

(g) obligations or account debtors to Borrower arising from Accounts which are past due evidenced by a promissory note made by such account debtor payable to Borrower; provided, that, promptly upon the receipt of the original of any such promissory note by Borrower, such promissory note shall be endorsed to the order of Lender by Borrower and promptly delivered to Lender as so endorsed;

(h) the loans, advances and guarantees set forth on Schedule 9.10 hereto; provided, that, as to such loans, advances and guarantees, (i) Borrower shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such loans, advances or guarantees or any agreement, document or instrument related thereto, or (B) as to such guarantees, redeem, retire, defease, purchase or otherwise acquire the obligations arising pursuant to such guarantees, or set aside or otherwise deposit or invest any sums for such purpose, and (ii) Borrower shall furnish to Lender all notices or demands in connection with such loans, advances or guarantees or other Indebtedness subject to such guarantees either received by Borrower or on its behalf, promptly after the receipt thereof, or sent by Borrower or on its behalf, concurrently with the sending thereof, as the case may be.

9.11 Dividends and Redemptions. Borrower shall not, directly or indirectly,

declare or pay any dividends on account of any shares of class of Capital Stock of Borrower now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any shares of any class of Capital Stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration other than common stock or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares or agree to do any of the foregoing except, that:

(a) any Subsidiary of Borrower may pay dividends to Borrower;

(b) Borrower may pay cash dividends or distributions from legally available funds therefor, to its shareholders from time to time in amounts such that the aggregate amount paid to shareholders does not exceed twenty-five (25%) percent of its cumulative Net Income (calculated from the date of this Agreement to date of determination), provided, that, (i) Lender shall have received ten (10) days prior to any payment thereof, a certificate signed by Borrower's chief financial officer (A) setting forth Borrower's cumulative Net Income with respect to which the

55

dividend or distribution is to be made and providing full information and computations with respect thereto and (B) such dividend or distribution is not in violation of applicable law or any other agreement to which Borrower is a party or by which it is bound, (ii) as of the date of any such payment and after giving effect thereto, the Excess Availability shall be not less than \$6,000,000, and (iii) as of the date of any such payment and after giving effect thereto, no Event of Default or any act, condition or event which, with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred;

(c) Borrower may repurchase its Capital Stock consisting of common stock, provided, that, as to (i) any such repurchase, each of the following conditions is satisfied: (A) as of the date of the payment for such repurchase and after giving effect thereto, no Event of Default or any act, condition or event which, with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred and be continuing, (B) such repurchase shall be paid with funds legally available therefor, (C) such repurchase shall not violate any law or regulation or the terms of any indenture, agreement or undertaking to which Borrower is a party or by which Borrower or its property is bound, (D) as of the date of any such payment for such repurchase and after giving effect thereto, the Excess Availability shall be not less than \$3,000,000, and (E) the aggregate amount of all payments for such repurchases during the term of this Agreement shall not exceed \$3,000,000.

9.12 Transactions with Affiliates. Borrower shall not, and shall not permit

any Subsidiary to, directly or indirectly,

(a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any officer, director, agent or other person affiliated with Borrower, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms no less favorable to the Borrower than Borrower would obtain in a comparable arm's length transaction with an unaffiliated person; or

(b) make any payments of management, consulting or other fees for management or similar services, or of any Indebtedness owing to any officer, employee, shareholder, director or other Affiliate of Borrower, except,

(i) reasonable compensation to officers, employees and directors for services rendered to Borrower in the ordinary course of business;

(ii) dividends permitted under Section 9.11 (b) above;

(iii) payments by Borrower to Delta Apparel Honduras, S.A. for (A) actual and necessary reasonable out-of-pocket administrative, operating and capital expenditures of Delta Apparel Honduras, S.A. for the business of Borrower as presently conducted in the ordinary course of business (including lease payments, payroll, insurance, franchise taxes and similar items), provided, that, the amount of all such payments permitted under Section 9.12 (iii)(A) in respect of capital expenditures shall not exceed \$250,000 in the aggregate in any fiscal year of Borrower, and (B) actual and necessary reasonable out-of-pocket legal, accounting, insurance

56

(including premiums for such insurance), marketing, payroll and similar types of services paid for by Delta Apparel Honduras, S.A. in the ordinary course of its business as conducted as of the date hereof or as the same may be directly attributable to Borrower; provided, that, (1) such expenses are in the ordinary course of and pursuant to the reasonable requirements of Borrower's business as conducted on the date hereof, and (2) to the extent such expenses are payable to Delta Apparel Honduras, S.A., such expenses shall be payable upon terms no less favorable to Borrower, than Borrower, could obtain in a comparable arm's length transaction with a person who is not an Affiliate; and

(iv) payments by Borrower to Mexican Subsidiary for (A) actual and necessary reasonable out-of-pocket administrative, operating and capital expenses of Mexican Subsidiary for the business of Borrower as presently conducted in the ordinary course of business (including lease payments, payroll, insurance, franchise taxes and similar items), provided, that, the amount of all such payments permitted under Section 9.12 (iv)(A) in respect of capital expenditures shall not exceed \$750,000 in the aggregate in any fiscal year of Borrower and (B) actual and necessary reasonable out-of-pocket legal, accounting, insurance (including premiums for such insurance), marketing, payroll and similar types of services paid for by Mexican Subsidiary in the ordinary course of its business as conducted as of the date hereof or as the same may be directly attributable to Borrower; provided, that, (1) such expenses are in the ordinary course of and pursuant to the reasonable requirements of Borrower's business as conducted on the date hereof, and (2) to the extent such expenses are payable to Mexican Subsidiary, such expenses shall be payable upon terms no less favorable to Borrower, than Borrower, could obtain in a comparable arm's length transaction with a person who is not an Affiliate.

9.13 Additional Bank Accounts. Borrower shall not, directly or indirectly,

open, establish or maintain any deposit account, investment account or any other account with any bank or other financial institution, other than the Blocked Accounts and the accounts set forth in Schedule 8.10 hereto, except: (a) as to any new or additional Blocked Accounts and other such new or additional accounts which contain any Collateral or proceeds thereof, with the prior written consent of Lender and subject to such conditions thereto as Lender may establish and (b) as to any accounts used by Borrower to make payments of payroll, taxes or other obligations to third parties, after prior written notice to Lender.

9.14 Compliance with ERISA. Borrower shall and shall cause each of its

ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and

State law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; (c) not terminate any of such Plans so as to incur any liability to the Pension Benefit Guaranty Corporation; (d) not allow or suffer to exist any prohibited transaction involving any of such Plans or any trust created thereunder which would subject Borrower or such ERISA Affiliate to a tax or penalty or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA; (e) make all required contributions to any Plan which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such Plan; (f) not allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such Plan; or (g) allow or suffer to exist any occurrence of a reportable event or any other event or condition

57

which presents a material risk of termination by the Pension Benefit Guaranty Corporation of any such Plan that is a single employer plan, which termination could result in any liability to the Pension Benefit Guaranty Corporation.

9.15 End of Fiscal Years: Fiscal Quarters. Borrower shall, for financial

reporting purposes, cause its, and each of its Subsidiaries' (a) fiscal years to end the Saturday closest to June 30 of each year and (b) fiscal quarters to end on the last day of the thirteenth (13th) week following the end of the immediately preceding fiscal quarter, provided, that, the end of the fourth fiscal quarter shall be on the last day of the fourteenth (14th) week following the end of the third fiscal quarter whenever necessary to have the fourth fiscal quarter end on the Saturday closest to June 30.

9.16 Change in Business. Borrower shall not engage in any business other

than the business of Borrower on the date hereof and any business reasonably related, ancillary or complimentary to the business in which Borrower is engaged on the date hereof.

9.17 Limitation of Restrictions Affecting Subsidiaries. Borrower shall

not, directly, or indirectly, create or otherwise cause or suffer to exist any encumbrance or restriction which prohibits or limits the ability of any Subsidiary of Borrower to (a) pay dividends or make other distributions or pay any Indebtedness owed to Borrower or any Subsidiary of Borrower; (b) make loans or advances to Borrower or any Subsidiary of Borrower, (c) transfer any of its properties or assets to Borrower or any Subsidiary of Borrower; or (d) create, incur, assume or suffer to exist any lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than encumbrances and restrictions arising under (i) applicable law, (ii) this Agreement, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of Borrower or any of its Subsidiaries, (iv) customary restrictions on dispositions of real property interests found in reciprocal easement agreements of Borrower or its Subsidiary, (v) any agreement relating to permitted Indebtedness incurred by a Subsidiary of Borrower prior to the date on which such Subsidiary was acquired by Borrower and outstanding on such acquisition date, and (vi) the extension or continuation of contractual obligations in existence on the date hereof; provided, that, any such encumbrances or restrictions contained in such extension or continuation are no less favorable to Lender than those encumbrances and restrictions under or pursuant to the contractual obligations so extended or continued.

9.18 Existing Real Property; After Acquired Real Property. (a) In the event

that Lender determines that (i) the average daily Excess Availability of the Borrower shall have been less than \$3,000,000 during any consecutive thirty (30) day period, or (ii) an Event of Default, or act, condition or event which with notice or passage of time or both would constitute an Event of Default exists, without limiting any other rights of Lender, or duties or obligations of Borrower, upon Lender's request, Borrower shall promptly, execute and deliver to Lender (A) a mortgage, deed of trust or deed to secure debt, as Lender may determine, in form and substance substantially similar to the Mortgages in respect of any or all of the Existing Real Property (as Lender shall determine in its sole discretion, exercised in good faith), and as to any provisions relating to specific state laws satisfactory to Lender and in form appropriate for recording in the real estate records of the jurisdiction in which such Existing Real Property is located granting to

Lender a first and only lien and mortgage on and security interest in such Existing Real Property, fixtures or other property located thereon, and (B) such other agreements, surveys, title insurance policies, documents and instruments as Lender may require in connection therewith.

(b) If Borrower hereafter acquires any Real Property, fixtures or any other property that is of the kind or nature described in the Mortgages and such Real Property, fixtures or other property at any one location has a fair market value in an amount equal to or greater than \$500,000 (or if an Event of Default, or act, condition or event which with notice or passage of time or both would constitute an Event of Default exists, then regardless of the fair market value of such assets), without limiting any other rights of Lender, or duties or obligations of Borrower, upon Lender's request, Borrower shall execute and deliver to Lender a mortgage, deed of trust or deed to secure debt, as Lender may determine, in form and substance substantially similar to the Mortgages and as to any provisions relating to specific state laws satisfactory to Lender and in form appropriate for recording in the real estate records of the jurisdiction in which such Real Property or other property is located granting to Lender a first and only lien and mortgage on and security interest in such Real Property, fixtures or other property (except as Borrower would otherwise be permitted to incur hereunder or under the Mortgages or as otherwise consented to in writing by Lender) and such other agreements, documents and instruments as Lender may require in connection therewith.

9.19 Costs and Expenses. Borrower shall pay to Lender on demand all costs, ----- expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Lender's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) costs and expenses and fees for insurance premiums, environmental audits, surveys, assessments, engineering reports and inspections, appraisal fees and search fees, costs and expenses of remitting loan proceeds, collecting checks and other items of payment, and establishing and maintaining the Blocked Accounts, together with Lender's customary charges and fees with respect thereto; (c) charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations; (d) costs and expenses of preserving and protecting the Collateral; (e) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Lender arising out of the transactions contemplated hereby and thereby (including preparations for and consultations concerning any such matters); (f) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Lender during the course of periodic field examinations of the Collateral and Borrower's operations, plus a per diem charge at the rate of \$650 per person per day for Lender's examiners in the field and office; and (g) the fees and disbursements of counsel (including legal assistants) to Lender in connection with any of the foregoing.

9.20 Further Assurances. At the request of Lender at any time and from time ----- to time, Borrower shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Lender may at any time and from time to time request a certificate from an officer of Borrower representing that all conditions precedent to the making of Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Lender, Lender may, at its option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Lender has received such certificate and, in addition, Lender has determined

that such conditions are satisfied. Where permitted by law, Borrower hereby authorizes Lender to execute and file one or more UCC financing statements signed only by Lender.

9.21 Year 2000 Compliance. Borrower shall take all action which may be

required so that its computer-based information systems, including, without limitation, all of its proprietary computer hardware and software (and whether supplied by others or with which Borrower's systems interface) are able to operate effectively and correctly process data using dates on or after January 1, 2000. Compliance with the foregoing shall mean that the systems will operate and correctly process data without human intervention such that (a) there is correct century recognition, (b) calculations properly accommodate same century and multi-century formulas and date values, and (c) all leap years shall be calculated correctly. Upon Lender's request, Borrowers shall certify to Lender in writing that its information systems have been modified, updated and programmed as required by this Section. On and after January 1, 2000, the computer-based information systems of Borrower shall be, and with ordinary course upgrading and maintenance, will continue to be sufficient to permit Borrower to conduct its business without any adverse effect as a result of the year 2000.

SECTION 10. EVENTS OF DEFAULT AND REMEDIES

10.1 Events of Default. The occurrence or existence of any one or more of the following events are referred to herein individually as an "Event of Default", and collectively as "Events of Default":

(a) (i) Borrower fails to pay any of the Obligations within three (3) Business Days after the same becomes due and payable or (ii) Borrower or any Obligor fails to perform any of the covenants contained in Sections 9.3, 9.4, 9.6, 9.13, 9.14, 9.16, or 9.21 of this Agreement and such failure shall continue for ten (10) days; provided, that, such ten (10) day period shall not apply in the case of: (A) any failure to observe any such covenant which is not capable of being cured at all or within such ten (10) day period or which has been the subject of a prior failure within a six (6) month period or (B) an intentional breach of Borrower or any Obligor of any such covenant or (iii) Borrower fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements other than those described in Sections 10.1(a)(i) and 10.1(a)(ii) above;

60

(b) any representation, warranty or statement of fact made by Borrower to Lender in this Agreement, the other Financing Agreements or any other agreement, schedule, confirmatory assignment or otherwise shall when made or deemed made be false or misleading in any material respect;

(c) any Obligor revokes, terminates or fails to perform any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Lender;

(d) any judgment for the payment of money is rendered against Borrower or any Obligor in excess of \$500,000 in any one case or in excess of \$2,000,000 in the aggregate and shall remain undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against Borrower or any Obligor or any of their assets having a value in excess of \$500,000 in the aggregate;

(e) any Obligor (being a natural person or a general partner of an Obligor which is a partnership) dies or Borrower or any Obligor, which is a partnership, limited liability company, limited liability partnership or a corporation, dissolves or suspends or discontinues doing business;

(f) Borrower or any Obligor becomes insolvent (however defined or evidenced), makes an assignment for the benefit of creditors, makes or sends notice of a bulk transfer or calls a meeting of its creditors or principal creditors;

(g) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization,

receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against Borrower or any Obligor or all or any part of its properties and such petition or application is not dismissed within forty-five (45) days after the date of its filing or Borrower or any Obligor shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

(h) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by Borrower or any Obligor or for all or any part of its property; or

(i) any default by Borrower or any Obligor under any agreement, document or instrument relating to any Indebtedness for borrowed money owing to any person other than Lender, or any capitalized lease obligations, contingent Indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lender, in any case in an amount in excess of \$500,000, which default continues for more

61

than the applicable cure period, if any, with respect thereto, or any material default under any of the Distribution Agreements by Borrower, Woodside, DH Apparel Company, Inc. or any other party thereto or under any other material contract, lease, license or other obligation to any person other than Lender, which default continues for more than the applicable cure period, if any, with respect thereto;

(j) an ERISA Event shall occur which results in or could reasonably be expected to result in liability of Borrower in an aggregate amount in excess of \$500,000;

(k) any Change of Control;

(l) the indictment by any Governmental Authority, or as Lender may reasonably and in good faith determine, the threatened indictment by any Governmental Authority of Borrower of which Borrower or Lender receives notice, in either case, as to which there is a reasonable possibility of an adverse determination, in the good faith determination of Lender, under any criminal statute, or commencement or threatened commencement of criminal or civil proceedings against Borrower, pursuant to which statute or proceedings the penalties or remedies sought or available include forfeiture of (i) any of the Collateral with an aggregate value in excess of \$500,000 or more, or (ii) any other property of Borrower which is necessary or material to the conduct of its business;

(m) there shall be a material adverse change in the business, assets or prospects of Borrower or any Obligor after the date hereof; or

(n) there shall be an event of default under any of the other Financing Agreements.

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Lender shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Uniform Commercial Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by Borrower or any Obligor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Lender hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and enforceable, in Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by Borrower of this Agreement or any of the other Financing Agreements. Lender may, at any time or times, proceed directly against Borrower or any Obligor to collect the principal balance of the Obligations and all interest accrued thereon without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Lender may, in its discretion and without limitation, (i) accelerate the payment of the principal balance of the Obligations and all interest accrued thereon and

62

demand immediate payment thereof to Lender (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), the principal balance of the Obligations and all interest accrued thereon shall automatically become immediately due and payable), (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (iii) require Borrower, at Borrower's expense, to assemble and make available to Lender any part or all of the Collateral at any place and time designated by Lender, (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including, without limitation, entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Lender or elsewhere) at such prices or terms as Lender may deem reasonable, for cash, upon credit or for future delivery, with the Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Borrower, which right or equity of redemption is hereby expressly waived and released by Borrower and/or (vii) terminate this Agreement. If any of the Collateral is sold or leased by Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Lender. If notice of disposition of Collateral is required by law, five (5) days prior notice by Lender to Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Borrower waives any other notice. In the event Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Borrower waives the posting of any bond which might otherwise be required.

(c) For the purpose of enabling Lender to exercise the rights and remedies hereunder, Borrower hereby grants to Lender, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to Borrower) to use, assign, license or sublicense any of the trademarks, service-marks, trade names, business names, trade styles, designs, logos and other source of business identifiers and other Intellectual Property and general intangibles now owned or hereafter acquired by Borrower, wherever the same maybe located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(d) Lender may apply the cash proceeds of Collateral actually received by Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Lender may elect, whether or not then due. Borrower shall remain liable to Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

63

(e) Without limiting the foregoing, upon the occurrence of an Event of Default or an event which with notice or passage of time or both would constitute an Event of Default, Lender may, at its option, without notice, (i) cease making Loans or arranging for Letter of Credit Accommodations or reduce the lending formulas or amounts of Revolving Loans and Letter of Credit Accommodations available to Borrower and/or (ii) terminate any provision of this Agreement providing for any future Loans or Letter of Credit Accommodations to be made by Lender to Borrower.

11.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia (without giving effect to principles of conflicts of law).

(b) Borrower and Lender irrevocably consent and submit to the non-exclusive jurisdiction of the Superior Court of Fulton County, Georgia and the United States District Court for the Northern District of Georgia and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Lender shall have the right to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction which Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Borrower or its property).

(c) Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Lender's option, by service upon Borrower in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Borrower shall appear in answer to such process, failing which Borrower shall be deemed in default and judgment may be entered by Lender against Borrower for the amount of the claim and other relief requested.

(d) BORROWER AND LENDER EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR

INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWER AND LENDER EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT BORROWER OR LENDER MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Lender shall not have any liability to Borrower (whether in tort, contract, equity or otherwise) for losses suffered by Borrower in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Lender, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement.

11.2 Waiver of Notices. Borrower hereby expressly waives demand,

presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Borrower which Lender may elect to give shall entitle Borrower to any other or further notice or demand in the same, similar or other circumstances. Without limiting the generality of the foregoing, Borrower waives

(i) notice prior to Lender's taking possession or control of any of the Collateral or any bond or security which might be required by any court prior to allowing Lender to exercise any of Lender's remedies, including the issuance of an immediate writ of possession and (ii) the benefit of all valuation, appraisal and exemption laws.

11.3 Amendments and Waivers. Neither this Agreement nor any provision

hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Lender, and as to amendments, as also signed by an authorized officer of Borrower. Lender shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

65

11.4 Waiver of Counterclaims. Borrower waives all rights to interpose any

claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

11.5 Indemnification. Borrower shall indemnify and hold Lender, and its

directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the fees and expenses of counsel, except for such losses, claims, damages, liabilities, costs or expenses resulting from the gross negligence or wilful misconduct of Lender, its directors, agents, employees or counsel as determined pursuant to a final, non-appealable order of a court of competent jurisdiction. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Borrower shall pay the maximum portion which it is permitted to pay under applicable law to Lender in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

SECTION 12. TERM OF AGREEMENT; MISCELLANEOUS

12.1 Term.

(a) This Agreement and the other Financing Agreements shall become effective as of the date set forth on the first page hereof and shall continue in full force and effect for a term ending on the date three (3) years from the date hereof (the "Renewal Date"), and from year to year thereafter, unless sooner terminated pursuant to the terms hereof. Lender or Borrower may terminate this Agreement and the other Financing Agreements effective on the Renewal Date or on the anniversary of the Renewal Date in any year by giving to the other party at least sixty (60) days prior written notice; provided, that, this Agreement and all other Financing Agreements must be terminated simultaneously. Upon the effective date of termination or non-renewal of the Financing Agreements, Borrower shall pay to Lender, in full, all outstanding and unpaid Obligations and shall furnish cash collateral to Lender in such amounts as Lender determines are reasonably necessary to secure Lender from loss, cost, damage or expense, including attorneys' fees and legal expenses, in connection with any contingent Obligations, including issued and outstanding Letter of

Credit Accommodations and checks or other payments provisionally credited to the Obligations and/or as to which Lender has not yet received final and indefeasible payment. Such payments in respect of the Obligations and cash collateral shall be remitted by wire transfer in Federal funds to such bank account of Lender, as Lender may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the

66

next Business Day, if the amounts so paid by Borrower to the bank account designated by Lender are received in such bank account later than 12:00 noon, Atlanta, Georgia time.

(b) No termination of this Agreement or the other Financing Agreements shall relieve or discharge Borrower of its respective duties, obligations and covenants under this Agreement or the other Financing Agreements until all Obligations have been fully and finally discharged and paid, and Lender's continuing security interest in the Collateral and the rights and remedies of Lender hereunder, under the other Financing Agreements and applicable law, shall remain in effect until all such Obligations have been fully and finally discharged and paid.

(c) If for any reason this Agreement is terminated prior to the end of the then current term or renewal term of this Agreement, in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits as a result thereof, Borrower agrees to pay to Lender, upon the effective date of such termination, an early termination fee in the amount equal to one (1%) percent of the Maximum Credit. Such early termination fee shall be presumed to be the amount of damages sustained by Lender as a result of such early termination and Borrower agrees that it is reasonable under the circumstances currently existing. In addition, Lender shall be entitled to such early termination fee upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h) hereof, even if Lender does not exercise its right to terminate this Agreement, but elects, at its option, to provide financing to Borrower or permit the use of cash collateral under the United States Bankruptcy Code. The early termination fee provided for in this Section 12.1 shall be deemed included in the Obligations.

(d) Notwithstanding anything to the contrary contained in Section 12.1(c) above, in the event of the termination of this Agreement at the request of Borrower prior to the end of the term of this Agreement and the full and final repayment of all Obligations and the receipt by Lender of cash collateral all as provided in Section 12.1(a) above, Borrower shall not be required to pay to Lender an early termination fee if such payments are made to Lender with the initial proceeds of a financing transaction provided or underwritten by First Union National Bank to Borrower.

12.2 Interpretative Provisions.

(a) All terms used herein which are defined in Article 1 or Article 9 of the Uniform Commercial Code shall have the meanings given therein unless otherwise defined in this Agreement.

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires.

(c) All references to Borrower and Lender pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns.

67

(d) The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(e) The word "including" when used in this Agreement shall mean "including, without limitation".

(f) An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 11.3 or is cured in a manner satisfactory to Lender, if such Event of Default is capable of being cured as determined by Lender.

(g) Any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed unless otherwise specifically provided herein, in accordance with GAAP as consistently applied and using the same method for inventory valuation as used in the preparation of the financial statements of Borrower most recently received by Lender prior to the date hereof.

(h) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding" and the word "through" means "to and including".

(i) Unless otherwise expressly provided herein, (i) references herein to any agreement, document or instrument shall be deemed to include all subsequent amendments, modifications, supplements, extensions, renewals, restatements or replacements with respect thereto, but only to the extent the same are not prohibited by the terms hereof or of any other Financing Agreement, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, recodifying, supplementing or interpreting the statute or regulation.

(j) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(k) This Agreement and other Financing Agreements may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(l) This Agreement and the other Financing Agreements are the result of negotiations among and have been reviewed by counsel to Lender and the other parties, and are the products of all parties. Accordingly, this Agreement and the other Financing Agreements shall not be construed against Lender merely because of Lender's involvement in their preparation.

68

12.3 Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Lender at its address set forth below and to Borrower at its chief executive office set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next Business Day, one (1) Business Day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

12.4 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

12.5 Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Lender, Borrower and their respective successors and assigns, except that Borrower may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Lender. Lender may, after notice to Borrower, assign its rights and delegate its obligations under this Agreement and the other Financing Agreements and further may assign, or

sell participations in, all or any part of the Loans, the Letter of Credit Accommodations or any other interest herein to another financial institution or other person, in which event, the assignee or participant shall have, to the extent of such assignment or participation, the same rights and benefits as it would have if it were the Lender hereunder, except as otherwise provided by the terms of such assignment or participation.

12.6 Entire Agreement. This Agreement, the other Financing Agreements, any -----
supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

69

IN WITNESS WHEREOF, Lender and Borrower have caused these presents to be duly executed as of the day and year first above written.

LENDER

CONGRESS FINANCIAL CORPORATION
(SOUTHERN)

By: /s/ Daniel Cott

Title: Executive Vice President

Address:

200 Galleria Parkway
Suite 1500
Atlanta, Georgia 30339

BORROWER

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President & CFO

Chief Executive Office:

3355 Breckinridge Boulevard
Suite 100
Duluth, Georgia 30096

70

EXHIBIT B

Applicable Margins for Interest Rate Calculations

The applicable margins will be determined as set forth below:

<TABLE>
<CAPTION>

When Excess Availability or Fixed Charge Coverage Ratio Is:	Applicable Prime Rate Margin	Applicable Eurodollar Margin
<S> \$20,000,000 or more or equal to or greater than 2.0 to 1.0	<C> -	<C> 2.00%
\$10,000,000 to \$19,999,999 or equal to or greater than 1.5 to 1 but less than 2.0 to 1	.25%	2.25%
Less than \$10,000,000 or less than 1.5 to 1	.50%	2.50%

</TABLE>

Borrower need only meet either the Excess Availability test or the Fixed Charge Coverage Ratio test to qualify for the corresponding applicable margin.

TERM PROMISSORY NOTE

\$10,000,000

New York, New York
May 16, 2000

FOR VALUE RECEIVED, DELTA APPAREL, INC., a Georgia corporation (the "Debtor"), hereby unconditionally promises to pay to the order of CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation ("Payee"), at the offices of Payee at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339, or at such other place as the Payee or any holder hereof may from time to time designate, the principal sum of TEN MILLION DOLLARS (\$10,000,000) in lawful money of the United States of America and in immediately available funds, in sixty (60) consecutive monthly installments (or earlier as hereinafter provided) on the first day of each month commencing June 1, 2000 of which the first fifty-nine (59) installments shall each be in the amount of ONE HUNDRED SIXTY-SIX THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS AND 66/100 (\$166,666.66), and the last installment shall be in the amount of the entire unpaid balance of this Note.

Debtor hereby further promises to pay interest to the order of Payee on the unpaid principal balance hereof at the Interest Rate. Such interest shall be paid in like money at said office or place from the date hereof, commencing June 1, 2000 and on the first day of each month thereafter until the indebtedness evidenced by this Note is paid in full. Interest payable upon and after an Event of Default or termination or non-renewal of the Loan Agreement (as hereinafter defined) shall be payable upon demand.

For purposes hereof, (a) subject to clauses (b) and (c) below, "Interest Rate" shall mean as to Prime Rate Loans, the Prime Rate and, as to Eurodollar Rate Loans, a rate of two (2%) percent per annum in excess of the Adjusted Eurodollar Rate (based on the Eurodollar Rate applicable for the Interest Period selected by Debtor as in effect two (2) Business Days after the date of receipt by Payee of the request of Debtor for such Eurodollar Rate Loans in accordance with the terms of the Loan Agreement, whether such rate is higher or lower than any rate previously quoted to Debtor); (b) subject to clause (c) below, effective as of the first day of the month after Payee's receipt of the financial statements required to be delivered to Payee pursuant to Section 9.6 of the Loan Agreement in respect of the fiscal quarter ending June 30, 2000, the Interest Rate payable by Debtor shall be increased or decreased, as the case may be, to the rate equal to the applicable margin set forth in Exhibit A hereto, on a per annum basis, in excess of the Prime Rate as to Prime Rate Loans, and in excess of the Adjusted Eurodollar Rate as to Eurodollar Rate Loans, in each case, based on either (i) the quarterly average of the Excess Availability of Debtor for the immediately preceding full fiscal quarter or (ii) Debtor's Fixed Charge Coverage Ratio, calculated on a quarterly basis, for the immediately preceding four (4) consecutive fiscal quarters of Debtor, ending June 30, 2000 (except that for purposes of calculating the Fixed Charge Coverage Ratio for the period ending June 30, 2000: (A) the Fixed Charge Coverage Ratio shall

- 1 -

be calculated on a fiscal year to date basis as of July 1, 1999, and (B) the Interest Expense paid to Payee in respect of the Obligations from the date hereof, through and including June 30, 2000 shall be calculated on an annualized basis) as calculated by Payee in good faith; (c) notwithstanding anything to the contrary contained in clauses (a) and (b) above, the applicable margin otherwise used to calculate the Interest Rate shall be the highest percentage set forth on Exhibit A hereto (without regard to the amount of Excess Availability or Fixed Charge Coverage Ratio) plus two (2%) percent per annum, at Payee's option, without notice, (i) either (A) for the period on and after the date of termination or non-renewal hereof until such time as all Obligations are indefeasibly paid and satisfied in full, or (B) for the period from and after the date of the occurrence of any Event of Default, and for so long as such Event of Default is continuing as determined by Payee; (d) the term "Prime Rate" shall mean the rate from time to time publicly announced by First Union National Bank, or its successors, from time to time, as its prime rate, whether or not such announced rate is the best rate available at such bank; (e) the term "Event of Default" shall mean an Event of Default as such term is defined in the Loan

Agreement; and (f) the term "Loan Agreement" shall mean the Loan and Security Agreement, dated of even date herewith, between Debtor and Payee, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning assigned thereto in the Loan Agreement.

The Interest Rate applicable to Prime Rate Loans payable hereunder shall increase or decrease by an amount equal to each increase or decrease, respectively, in the Prime Rate, effective on the first day of the month after any change in the Prime Rate is announced. The increase or decrease shall be based on the Prime Rate in effect on the last day of the month in which any such change occurs. Interest shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. In no event shall the interest charged hereunder exceed the maximum permitted under the laws of the State of Georgia or other applicable law.

This Note is issued pursuant to the terms and provisions of the Loan Agreement to evidence the Term Loan by Payee to Debtor. This Note is secured by the Collateral described in the Loan Agreement and all notes, guarantees, security agreements and other agreements, documents and instrument now or at any time hereafter executed and/or delivered by Debtor or any other party in connection therewith (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, renewed, extended, restated or replaced, being collectively referred to herein as the "Financing Agreements"), and is entitled to all of the benefits and rights thereof and of the other Financing Agreements. At the time any payment is due hereunder, at its option, Payee may charge the amount thereof to any account of Debtor maintained by Payee.

If any payment of principal or interest is not made within three (3) business days after the same becomes due hereunder, or if any other Event of Default shall occur for any reason, or if the Loan Agreement shall be terminated or not renewed for any reason whatsoever, then and in any such event, in addition to all rights and remedies of Payee under the Financing Agreements,

-2-

applicable law or otherwise, all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively and concurrently, Payee may, at its option, declare any or all of Debtor's obligations, liabilities and indebtedness owing to Payee under the Loan Agreement and the other Financing Agreements (the "Obligations"), including, without limitation, all amounts owing under this Note, to be due and payable, whereupon the then unpaid balance hereof, together with all interest accrued thereon, shall forthwith become due and payable, together with interest accruing thereafter at the then applicable Interest Rate stated above until the indebtedness evidenced by this Note is paid in full, plus the costs and expenses of collection hereof, including, but not limited to, attorneys' fees and legal expenses.

Debtor (i) waives diligence, demand, presentment, protest and notice of any kind, (ii) agrees that it will not be necessary for Payee to first institute suit in order to enforce payment of this Note and (iii) consents to any one or more extensions or postponements of time of payment, release, surrender or substitution of collateral security, or forbearance or other indulgence, without notice or consent. The pleading of any statute of limitations as a defense to any demand against Debtor is expressly hereby waived by Debtor. Upon any Event of Default or termination or non-renewal of the Loan Agreement, Payee shall have the right, but not the obligation to setoff against this Note all money owed by Payee to Debtor.

Payee shall not be required to resort to any Collateral for payment, but may proceed against Debtor and any guarantors or endorsers hereof in such order and manner as Payee may choose. None of the rights of Payee shall be waived or diminished by any failure or delay in the exercise thereof.

The validity, interpretation and enforcement of this Note and the other Financing Agreements and any dispute arising in connection herewith or therewith shall be governed by the internal laws of the State of Georgia (without giving effect to principles of conflicts of law).

Debtor irrevocably consents and submits to the non-exclusive jurisdiction of the Superior Court of Fulton County, Georgia and the United States District Court for the Northern District of Georgia and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Note or any of the other Financing Agreements or in any way

connection with or related or incidental to the dealings of Debtor and Payee in respect of this Note or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between Debtor and Payee or the conduct of such persons in connection with this Note or otherwise shall be heard only in the courts described above (except that Payee shall have the right to bring any action or proceeding against Debtor or its property in the courts of any other jurisdiction which Payee deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Debtor or its property).

-3-

Debtor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to it and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Payee's option, by service upon Debtor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Debtor shall appear in answer to such process, failing which Debtor shall be deemed in default and judgment may be entered by Payee against Debtor for the amount of the claim and other relief requested.

DEBTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS NOTE OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS BETWEEN DEBTOR AND PAYEE IN RESPECT OF THIS NOTE OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. DEBTOR AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY.

The execution and delivery of this Note has been authorized by the Board of Directors and by any necessary vote or consent of the stockholders of Debtor. Debtor hereby authorizes Payee to complete this Note in any particulars according to the terms of the loan evidenced hereby.

This Note shall be binding upon the successors and assigns of Debtor and inure to the benefit of Payee and its successors, endorsees and assigns. Whenever used herein, the term "Debtor" shall be deemed to include its successors and assigns and the term "Payee" shall be deemed to include its successors, endorsees and assigns. If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President & CFO

-4-

EXHIBIT A

Applicable Margins for Interest Rate Calculations

The applicable margins will be determined as set forth below:

<TABLE>

<CAPTION>

When Excess Availability or
Fixed Charge Coverage Ratio Is:

Applicable
Prime Rate Margin

Applicable
Eurodollar Margin

<S>

<C>

<C>

\$20,000,000 or more or equal to or greater than 2.0 to 1.0	-	2.00%
\$10,000,000 to \$19,999,999 or equal to or greater than 1.5 to 1 but less than 2.0 to 1	.25%	2.25%
Less than \$10,000,000 or less than 1.5 to 1	.50%	2.50%

</TABLE>

Debtor need only meet either the Excess Availability test or the Fixed Charge Coverage Ratio test to qualify for the corresponding applicable margin.

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT ("Pledge Agreement"), dated May 16, 2000, is by DELTA APPAREL, INC., a Georgia corporation ("Pledgor"), with its chief executive office at 3355 Breckinridge Boulevard, Suite 100, Duluth, Georgia 30096 to and in favor of CONGRESS FINANCIAL CORPORATION (SOUTHERN), a Georgia corporation ("Pledgee"), having an office at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H:

WHEREAS, Pledgor is now the direct and beneficial owner of 2,496 of the 2,500 issued and outstanding shares of capital stock of Delta Apparel Horduras, S.A., a Honduran corporation ("Issuer"), 1,622 of which shares of capital stock are being delivered by Pledgor to Pledgee pursuant to the terms hereof and which are as described on Exhibit A annexed hereto and made a part hereof (the "Pledged Securities");

WHEREAS, Pledgee and Pledgor have entered into or are about to enter into financing arrangements pursuant to which Pledgee may make loans and advances and provide other financial accommodations to Pledgor as set forth in the Loan and Security Agreement, dated of even date herewith, by and between Pledgee and Pledgor (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, this Pledge Agreement (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"); and

WHEREAS, in order to induce Pledgee to enter into the Loan Agreement and the other Financing Agreements and to make loans and advances and provide other financial accommodations to Pledgor pursuant thereto, Pledgor has agreed to secure the payment and performance of the Obligations (as hereinafter defined) to Pledgee and to accomplish same by (i) executing and delivering to Pledgee this Pledge Agreement, (ii) delivering to Pledgee the Pledged Securities which are registered in the name of Pledgor, together with appropriate powers duly executed in blank by Pledgor, and (iii) delivering to Pledgee any and all other documents which Pledgee deems necessary to protect Pledgee's interests hereunder;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Pledgor hereby agrees as follows:

- 1 -

1. GRANT OF SECURITY INTEREST

As collateral security for the prompt performance, observance and indefeasible payment in full of all of the Obligations (as hereinafter defined), Pledgor hereby assigns, pledges, hypothecates, transfers and sets over to Pledgee and grants to Pledgee a security interest in and lien upon (a) the Pledged Securities, together with all cash dividends, stock dividends, interests, profits, redemptions, warrants, subscription rights, stock, securities options, substitutions, exchanges and other distributions now or hereafter distributed by Issuer or which may hereafter be delivered to the possession of Pledgor or Pledgee with respect thereto, (b) Pledgor's records with respect to the foregoing, and (c) the proceeds of all of the foregoing (all of the foregoing being collectively referred to herein as the "Pledged Property").

2. OBLIGATIONS SECURED

The security interest, lien and other interests granted to Pledgee pursuant to this Pledge Agreement shall secure the prompt performance and payment in full of any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Pledgor to Pledgee and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Pledge Agreement, the Loan Agreement, the other Financing Agreements or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Loan Agreement or after the commencement of any case with respect to Pledgor under the United States Bankruptcy Code or any similar statute (including, without limitation, the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Pledgee (all of the foregoing being collectively referred to herein as the "Obligations").

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

Pledgor hereby represents, warrants and covenants with and to Pledgee the following (all of such representations, warranties and covenants being continuing so long as any of the Obligations are outstanding):

(a) The Pledged Securities are duly authorized, validly issued, fully paid and non-assessable capital stock of Issuer and constitute approximately sixty-five (65%) percent of Pledgor's entire interest in Issuer and are not registered, nor has Pledgor authorized the registration thereof, in the name of any person or entity other than Pledgor or Pledgee.

(b) The Pledged Property is directly, legally and beneficially owned by Pledgor, free and clear of all claims, liens, pledges and encumbrances of any kind, nature or description, except for the pledge and security interest in favor of Pledgee and the pledges and security interests permitted under the Loan Agreement.

- 2 -

(c) The Pledged Property is not subject to any restrictions relative to the transfer thereof and Pledgor has the right to transfer and hypothecate the Pledged Property free and clear of any liens, encumbrances or restrictions.

(d) The Pledged Property is duly and validly pledged to Pledgee and no consent or approval of any governmental or regulatory authority or of any securities exchange or the like, nor any consent or approval of any other third party, was or is necessary to the validity and enforceability of this Pledge Agreement.

(e) Pledgor authorizes Pledgee to: (i) store, deposit and safeguard the Pledged Property, (ii) perform any and all other acts which Pledgee in good faith deems reasonable and/or necessary for the protection and preservation of the Pledged Property or its value or Pledgee's security interest therein, including, without limitation, transferring, registering or arranging for the transfer or registration of the Pledged Property to or in Pledgee's own name and receiving the income therefrom as additional security for the Obligations and (iii) pay any charges or expenses which Pledgee deems necessary for the foregoing purpose, but without any obligation to do so. Any obligation of Pledgee for reasonable care for the Pledged Property in Pledgee's possession shall be limited to the same degree of care which Pledgee uses for similar property pledged to Pledgee by other persons.

(f) If Pledgor shall become entitled to receive or acquire, or shall receive any stock certificate, or option or right with respect to the stock of Issuer (including without limitation, any certificate representing a dividend or a distribution or exchange of or in connection with reclassification of the Pledged Securities) whether as an addition to, in substitution of, or in exchange for any of the Pledged Property or otherwise, Pledgor agrees to accept same as Pledgee's agent, to hold same in trust for Pledgee and to deliver same forthwith to Pledgee or Pledgee's agent or bailee in the form received, with the endorsement(s) of Pledgor where necessary and/or appropriate powers and/or assignments duly executed to be held by Pledgee or Pledgee's agent or bailee subject to the terms hereof, as further security for the Obligations.

(g) Pledgor shall not, without the prior consent of Pledgee, directly or indirectly, sell, assign, transfer, or otherwise dispose of, or grant any option with respect to the Pledged Property, nor shall Pledgor create, incur or permit any further pledge, hypothecation, encumbrance, lien, mortgage or security interest with respect to the Pledged Property.

(h) So long as no Event of Default (as hereinafter defined) has occurred and is continuing, Pledgor shall have the right to vote and exercise all corporate rights with respect to the Pledged Securities, except as expressly prohibited herein, and to receive any cash dividends payable in respect of the Pledged Securities.

(i) Pledgor shall not permit Issuer, directly or indirectly, to issue, sell, grant, assign, transfer or otherwise dispose of, any additional shares of capital stock of Issuer or any option or warrant with respect to, or other right or security convertible into, any additional shares of capital stock of Issuer, now or hereafter authorized, unless all such additional shares, options, warrants, rights or other such securities are made and shall remain part of the Pledged Property subject to the pledge and security interest granted herein.

- 3 -

(j) Pledgor shall pay all charges and assessments of any nature against the Pledged Property or with respect thereto prior to said charges and/or assessments being delinquent.

(k) Pledgor shall promptly reimburse Pledgee on demand, together with interest at the rate then applicable to the Obligations set forth in the Loan Agreement, for any charges, assessments or expenses paid or incurred by Pledgee in its discretion for the protection, preservation and maintenance of the Pledged Property and the enforcement of Pledgee's rights hereunder, including, without limitation, attorneys' fees and legal expenses incurred by Pledgee in seeking to protect, collect or enforce its rights in the Pledged Property or otherwise hereunder.

(l) Pledgor shall furnish, or cause to be furnished, to Pledgee such information concerning Issuer and the Pledged Property as Pledgee may from time to time reasonably request in good faith, including, without limitation, current financial statements.

(m) Pledgee may notify Issuer or the appropriate transfer agent of the Pledged Securities to register the security interest and pledge granted herein and honor the rights of Pledgee with respect thereto.

(n) Pledgor waives: (i) all rights to require Pledgee to proceed against any other person, entity or collateral or to exercise any remedy, (ii) the defense of the statute of limitations in any action upon any of the Obligations, (iii) any right of subrogation or interest in the Obligations or Pledged Property until all Obligations have been paid in full, (iv) any rights to notice of any kind or nature whatsoever, unless specifically required in this Pledge Agreement or non-waivable under any applicable law, and (v) to the extent permissible, its rights under Section 9-112 and 9-207 of the Uniform Commercial Code. Pledgor agrees that the Pledged Property, other collateral, or any other guarantor or endorser may be released, substituted or added with respect to the Obligations, in whole or in part, without releasing or otherwise affecting the liability of Pledgor, the pledge and security interests granted hereunder, or this Pledge Agreement. Pledgee is entitled to all of the benefits of a secured party set forth in Section 9-207 of the New York Uniform Commercial Code.

4. EVENTS OF DEFAULT

All Obligations shall become immediately due and payable, without notice or demand, at the option of Pledgee, upon the occurrence of any Event of Default, as such term is defined in the Loan Agreement (each an "Event of Default" hereunder).

5. RIGHTS AND REMEDIES

At any time an Event of Default exists or has occurred and is continuing, in addition to all other rights and remedies of Pledgee, whether provided under this Pledge Agreement, the Loan Agreement, the other Financing Agreements, applicable law or otherwise, Pledgee shall have the following rights and remedies which may be exercised without notice to, or consent by, Pledgor except

as such notice or consent is expressly provided for hereunder:

- 4 -

(a) Pledgee, at its option, shall be empowered to exercise its continuing right to instruct the Issuer (or the appropriate transfer agent of the Pledged Securities) to register any or all of the Pledged Securities in the name of Pledgee or in the name of Pledgee's nominee and Pledgee may complete, in any manner Pledgee may deem expedient, any and all stock powers, assignments or other documents heretofore or hereafter executed in blank by Pledgor and delivered to Pledgee. After said instruction, and without further notice, Pledgee shall have the exclusive right to exercise all voting and corporate rights with respect to the Pledged Securities and other Pledged Property, and exercise any and all rights of conversion, redemption, exchange, subscription or any other rights, privileges, or options pertaining to any shares of the Pledged Securities or other Pledged Property as if Pledgee were the absolute owner thereof, including, without limitation, the right to exchange, in its discretion, any and all of the Pledged Securities and other Pledged Property upon any merger, consolidation, reorganization, recapitalization or other readjustment with respect thereto. Upon the exercise of any such rights, privileges or options by Pledgee, Pledgee shall have the right to deposit and deliver any and all of the Pledged Securities and other Pledged Property to any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Pledgee may determine, all without liability, except to account for property actually received by Pledgee. However, Pledgee shall have no duty to exercise any of the aforesaid rights, privileges or options (all of which are exercisable in the sole discretion of Pledgee) and shall not be responsible for any failure to do so or delay in doing so.

(b) In addition to all the rights and remedies of a secured party under the Uniform Commercial Code or other applicable law, Pledgee shall have the right, at any time and without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived to the extent permitted by applicable law), to proceed forthwith to collect, redeem, recover, receive, appropriate, realize, sell, or otherwise dispose of and deliver said Pledged Property or any part thereof in one or more lots at public or private sale or sales at any exchange, broker's board or at any of Pledgee's offices or elsewhere at such prices and on such terms as Pledgee may deem best. The foregoing disposition(s) may be for cash or on credit or for future delivery without assumption of any credit risk, with Pledgee having the right to purchase all or any part of said Pledged Property so sold at any such sale or sales, public or private, free of any right or equity of redemption in Pledgor, which right or equity is hereby expressly waived or released by Pledgor. The proceeds of any such collection, redemption, recovery, receipt, appropriation, realization, sale or other disposition, after deducting all costs and expenses of every kind incurred relative thereto or incidental to the care, safekeeping or otherwise of any and all Pledged Property or in any way relating to the rights of Pledgee hereunder, including attorneys' fees and legal expenses, shall be applied first to the satisfaction of the Obligations (in such order as Pledgee may elect and whether or not due) and then to the payment of any other amounts required by applicable law, including Section 9-504(1)(c) of the Uniform Commercial Code, with Pledgor to be and remain liable for any deficiency. Pledgor shall be liable to Pledgee for the payment on demand of all such costs and expenses, together with interest at the then applicable rate set forth in the Loan Agreement, and any attorneys' fees and legal expenses. Pledgor agrees that five (5) days prior written notice by Pledgee designating the place and time of any public sale or of the time after which any private sale or other intended disposition of any or all of the Pledged Property is to be made, is reasonable notification of such matters.

- 5 -

(c) Pledgor recognizes that Pledgee may be unable to effect a public sale of all or part of the Pledged Property by reason of certain prohibitions contained in the Securities Act of 1933, as amended, as now or hereafter in effect or in applicable Blue Sky or other state securities law, as now or hereafter in effect, but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such Pledged Property for their own account for investment and not with a view to the distribution or resale thereof. If at the time of any sale of the Pledged Property or any part thereof, the same shall not, for any

reason whatsoever, be effectively registered (if required) under the Securities Act of 1933 (or other applicable state securities law), as then in effect, Pledgee in its sole and absolute discretion is authorized to sell such Pledged Property or such part thereof by private sale in such manner and under such circumstances as Pledgee or its counsel may deem necessary or advisable in order that such sale may legally be effected without registration. Pledgor agrees that private sales so made may be at prices and other terms less favorable to the seller than if such Pledged Property were sold at public sale, and that Pledgee has no obligation to delay the sale of any such Pledged Property for the period of time necessary to permit Issuer, even if Issuer would agree, to register such Pledged Property for public sale under such applicable securities laws. Pledgor agrees that any private sales made under the foregoing circumstances shall be deemed to have been in a commercially reasonable manner.

(d) All of the Pledgee's rights and remedies, including, but not limited to, the foregoing and those otherwise arising under this Pledge Agreement, the Loan Agreement and the other Financing Agreements, the instruments comprising the Pledged Property, applicable law or otherwise, shall be cumulative and not exclusive and shall be enforceable alternatively, successively or concurrently as Pledgee may deem expedient. No failure or delay on the part of Pledgee in exercising any of its options, powers or rights or partial or single exercise thereof, shall constitute a waiver of such option, power or right.

6. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

(a) The validity, interpretation and enforcement of this Pledge Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia (without giving effect to principles of conflicts of law).

(b) Pledgor irrevocably consents and submits to the non-exclusive jurisdiction of the Superior Court of Fulton County, Georgia and the United States District Court for the Northern District of Georgia and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Pledge Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Pledge Agreement or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agrees that any dispute with respect to any such matters shall be heard only in the courts described above (except that Pledgee shall have the right to bring any action or proceeding against Pledgor or its property in the courts

- 6 -

of any other jurisdiction which Pledgee deems necessary or appropriate in order to realize on the Pledged Property or to otherwise enforce its rights against Pledgor or its property).

(c) Pledgor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Pledgee's option, by service upon Pledgor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Pledgor shall appear in answer to such process, failing which Pledgor shall be deemed in default and judgment may be entered by Pledgee against Pledgor for the amount of the claim and other relief requested.

(d) PLEDGOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS PLEDGE AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF PLEDGOR AND PLEDGEE IN RESPECT OF THIS PLEDGE AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. PLEDGOR HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT PLEDGOR OR PLEDGEE MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS PLEDGE AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Pledgee shall not have any liability to Pledgor (whether in tort, contract, equity or otherwise) for losses suffered by Pledgor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Pledge Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Pledgee, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Pledgee shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Pledge Agreement.

7. MISCELLANEOUS

(a) Pledgor agrees that at any time and from time to time upon the written request of Pledgee, Pledgor shall execute and deliver such further documents, including, but not limited to, irrevocable proxies or stock powers, in form satisfactory to counsel for Pledgee, and will take or cause to be taken such further acts as Pledgee may request in order to effect the purposes of this Pledge Agreement and perfect or continue the perfection of the security interest in the Pledged Property granted to Pledgee hereunder.

- 7 -

(b) Beyond the exercise of reasonable care to assure the safe custody of the Pledged Property (whether such custody is exercised by Pledgee, or Pledgee's nominee, agent or bailee) Pledgee or Pledgee's nominee agent or bailee shall have no duty or liability to protect or preserve any rights pertaining thereto and shall be relieved of all responsibility for the Pledged Property upon surrendering it to Pledgor or foreclosure with respect thereto.

(c) All notices, requests and demands to or upon the respective parties hereto shall be in writing and shall be deemed to have been duly given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by registered or certified mail, return receipt requested, five (5) days after mailing. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to Pledgor: Delta Apparel, Inc.
3355 Breckinridge Boulevard, Suite 100
Duluth, Georgia 30096
Attention: Chief Financial Officer

If to Pledgee: Congress Financial Corporation (Southern)
200 Galleria Parkway, Suite 1500
Atlanta, Georgia 30339
Attention: Portfolio Manager

(d) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Pledgor, Pledgee and Issuer pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof," "herein," "hereunder," "this Pledge Agreement" and words of similar import when used in this Pledge Agreement shall refer to this Pledge Agreement as a whole and not any particular provision of this Pledge Agreement and as this Pledge Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7(g) hereof. All references to the term "Person" or "Persons" herein shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), limited liability corporation, limited liability participation, business trust, unincorporated association, joint stock company, trust, joint venture or other entity or any government or any agency, instrumentality or political subdivision thereof.

(e) This Pledge Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Pledgor and its

successors and assigns and inure to the benefit of and be enforceable by Pledgee and its successors and assigns.

- 8 -

(f) If any provision of this Pledge Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Pledge Agreement as a whole, but this Pledge Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

(g) Neither this Pledge Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Pledgee. Pledgee shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Pledgee. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Pledgee of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Pledgee would otherwise have on any future occasion, whether similar in kind or otherwise.

- 9 -

IN WITNESS WHEREOF, Pledgor has executed this Pledge Agreement as of the day and year first above written.

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President & CFO

- 10 -

EXHIBIT A
TO
PLEDGE AND SECURITY AGREEMENT

Issuer	Certificate No.	Shares
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Delta Apparel Honduras, S.A.		1,622

- 11 -

TRADEMARK SECURITY AGREEMENT

THIS AGREEMENT ("Agreement"), dated May 16, 2000, is by and between DELTA APPAREL, INC., a Georgia corporation ("Debtor"), with its chief executive office at 3355 Breckinridge Boulevard, Suite 100, Duluth, Georgia 30096 and CONGRESS FINANCIAL CORPORATION (Southern), a Georgia corporation ("Secured Party"), having an office at 200 Galleria Parkway, Suite 1500, Atlanta, Georgia 30339.

W I T N E S S E T H :

WHEREAS, Debtor has adopted, used and is using, and is the owner of the entire right, title, and interest in and to the trademarks, trade names, terms, designs and applications therefor described in Exhibit A hereto and made a part hereof;

WHEREAS, Secured Party and Debtor have entered or are about to enter into financing arrangements pursuant to which Secured Party may make loans and advances and provide other financial accommodations to Debtor as set forth in the Loan and Security Agreement, dated of even date herewith, by and between Secured Party and Debtor (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, this Agreement (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements"); and

WHEREAS, in order to induce Secured Party to enter into the Loan Agreement and the other Financing Agreements and to make loans and advances and provide other financial accommodations to Debtor pursuant thereto, Debtor has agreed to grant to Secured Party certain collateral security as set forth herein;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees as follows:

1. GRANT OF SECURITY INTEREST

As collateral security for the prompt performance, observance and indefeasible payment in full of all of the Obligations (as hereinafter defined), Debtor hereby grants to Secured Party a continuing security interest in and a general lien upon the following (being collectively referred to herein as the "Collateral"): (a) all of Debtor's now existing or hereafter acquired right, title, and interest in and to: (i) all of Debtor's trademarks, tradenames, trade styles and service marks and all applications, registrations and recordings relating to the foregoing as may at any time be

filed in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof, any political subdivision thereof or in any other country, including, without limitation, the trademarks, terms, designs and applications described in Exhibit A hereto, together with all rights and privileges arising under applicable law with respect to Debtor's use of any trademarks, tradenames, trade styles and service marks, and all reissues, extensions, continuation and renewals thereof (all of the foregoing being collectively referred to herein as the "Trademarks"); and (ii) all prints and labels on which such trademarks, tradenames, tradestyles and service marks appear, have appeared or will appear, and all designs and general intangibles of a like nature; (b) the goodwill of the business symbolized by each of the Trademarks, including, without limitation, all customer lists and other records relating to the distribution of products or services bearing the Trademarks; (c) all income, fees, royalties and other payments at any time due or payable with respect thereto, including, without limitation, payments under all licenses at any time entered into in connection therewith; (d) the right to sue for past, present and future infringements thereof; (e) all rights corresponding thereto

throughout the world; and (f) any and all other proceeds of any of the foregoing, including, without limitation, damages and payments or claims by Debtor against third parties for past or future infringement of the Trademarks.

2. OBLIGATIONS SECURED

The security interest, lien and other interests granted to Secured Party pursuant to this Agreement shall secure the prompt performance, observance and payment in full of any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Debtor to Secured Party and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement, the Loan Agreement, the other Financing Agreements or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of the Loan Agreement or after the commencement of any case with respect to Debtor under the United States Bankruptcy Code or any similar statute (including, without limitation, the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Secured Party (all of the foregoing being collectively referred to herein as the "Obligations").

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

Debtor hereby represents, warrants and covenants with and to Secured Party the following (all of such representations, warranties and covenants being continuing so long as any of the Obligations are outstanding):

(a) Debtor shall pay and perform all of the Obligations according to their terms.

- 2 -

(b) All of the existing Collateral is valid and subsisting in full force and effect, and Debtor owns the sole, full and clear title thereto, and the right and power to grant the security interest granted hereunder. Debtor shall, at Debtor's expense, perform all acts and execute all documents necessary to maintain the existence of the Collateral consisting of registered Trademarks as registered trademarks and to maintain the existence of all of the Collateral as valid and subsisting, including, without limitation, the filing of any renewal affidavits and applications. The Collateral is not subject to any liens, claims, mortgages, assignments, licenses, security interests or encumbrances of any nature whatsoever, except: (i) the security interests granted hereunder and pursuant to the Loan Agreement, (ii) the security interests permitted under the Loan Agreement, and (iii) the licenses permitted under Section 3(e) below.

(c) Debtor shall not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license relating to the Collateral, or otherwise dispose of any of the Collateral, in each case without the prior written consent of Secured Party, except as otherwise permitted herein or in the Loan Agreement. Nothing in this Agreement shall be deemed a consent by Secured Party to any such action, except as such action is expressly permitted hereunder.

(d) Debtor shall, at Debtor's expense, promptly perform all acts and execute all documents requested at any time by Secured Party to evidence, perfect, maintain, record or enforce the security interest in the Collateral granted hereunder or to otherwise further the provisions of this Agreement. Debtor hereby authorizes Secured Party to execute and file one or more financing statements (or similar documents) with respect to the Collateral, signed only by Secured Party or as otherwise determined by Secured Party. Debtor further authorizes Secured Party to have this Agreement or any other similar security agreement filed with the Commissioner of Patents and Trademarks or any other appropriate federal, state or government office.

(e) As of the date hereof, Debtor does not have any Trademarks registered, or subject to pending applications, in the United States Patent and Trademark Office or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, other than those described in Exhibit A hereto and has not granted any licenses with respect

thereto other than as set forth in Exhibit B hereto.

(f) Debtor shall, concurrently with the execution and delivery of this Agreement, execute and deliver to Secured Party five (5) originals of a Special Power of Attorney in the form of Exhibit C annexed hereto for the implementation of the assignment, sale or other disposition of the Collateral pursuant to Secured Party's exercise of the rights and remedies granted to Secured Party hereunder.

(g) Secured Party may, in its discretion, pay any amount or do any act which Debtor fails to pay or do as required hereunder or as requested by Secured Party to preserve, defend, protect, maintain, record or enforce the Obligations, the Collateral, or the security interest granted hereunder including, but not limited to, all filing or recording fees, court costs, collection charges, attorneys' fees and legal expenses. Debtor shall be liable to Secured Party for any such

- 3 -

payment, which payment shall be deemed an advance by Secured Party to Debtor, shall be payable on demand together with interest at the rate then applicable to the Obligations set forth in the Loan Agreement and shall be part of the Obligations secured hereby.

(h) Debtor shall not file any application for the registration of a Trademark with the United States Patent and Trademark Office or any similar office or agency in the United States, unless Debtor has given Secured Party thirty (30) days prior written notice of such action. If, after the date hereof, Debtor shall (i) obtain any registered trademark or tradename, or apply for any such registration in the United States Patent and Trademark Office or in any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, or (ii) become the owner of any trademark registrations or applications for trademark registration used in the United States or any State thereof, political subdivision thereof or in any other country, the provisions of Section 1 hereof shall automatically apply thereto. Upon the request of Secured Party, Debtor shall promptly execute and deliver to Secured Party any and all assignments, agreements, instruments, documents and such other papers as may be requested by Secured Party to evidence the security interest in such Trademark in favor of Secured Party.

(i) Debtor has not abandoned any of the Trademarks and Debtor will not do any act, nor omit to do any act, whereby the Trademarks may become abandoned, invalidated, unenforceable, avoided, or avoidable. Debtor shall notify Secured Party immediately if it knows or has reason to know of any reason why any application, registration, or recording with respect to the Trademarks may become abandoned, canceled, invalidated, avoided, or avoidable.

(j) Debtor shall render any assistance, as Secured Party shall determine is necessary, to Secured Party in any proceeding before the United States Patent and Trademark Office, any federal or state court, or any similar office or agency in the United States, any State thereof, any political subdivision thereof or in any other country, to maintain such application and registration of the Trademarks as Debtor's exclusive property and to protect Secured Party's interest therein, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference, and cancellation proceedings.

(k) To the best of Debtor's knowledge, no material infringement or unauthorized use presently is being made of any of the Trademarks that would adversely affect in any material respect the fair market value of the Collateral or the benefits of this Agreement granted to Secured Party, including, without limitation, the validity, priority or perfection of the security interest granted herein or the remedies of Secured Party hereunder. Debtor shall promptly notify Secured Party if Debtor (or any affiliate or subsidiary thereof) learns of any use by any person of any term or design which infringes on any Trademark or is likely to cause confusion with any Trademark. If requested by Secured Party, Debtor, at Debtor's expense, shall join with Secured Party in such action as Secured Party, in Secured Party's discretion, may deem advisable for the protection of Secured Party's interest in and to the Trademarks.

(l) Debtor assumes all responsibility and liability arising from the use of the Trademarks and Debtor hereby indemnifies and holds Secured Party harmless from and against any claim,

suit, loss, damage, or expense (including attorneys' fees and legal expenses) arising out of any alleged defect in any product manufactured, promoted, or sold by Debtor (or any affiliate or subsidiary thereof) in connection with any Trademark or out of the manufacture, promotion, labelling, sale or advertisement of any such product by Debtor (or any affiliate or subsidiary thereof). The foregoing indemnity shall survive the payment of the Obligations, the termination of this Agreement and the termination or non-renewal of the Loan Agreement.

(m) Debtor shall promptly pay Secured Party for any and all expenditures made by Secured Party pursuant to the provisions of this Agreement or for the defense, protection or enforcement of the Obligations, the Collateral, or the security interests granted hereunder, including, but not limited to, all filing or recording fees, court costs, collection charges, travel expenses, and attorneys' fees and legal expenses. Such expenditures shall be payable on demand, together with interest at the rate then applicable to the Obligations set forth in the Loan Agreements and shall be part of the Obligations secured hereby.

4. EVENTS OF DEFAULT

All Obligations shall become immediately due and payable, without notice or demand, at the option of Secured Party, upon the occurrence of any Event of Default, as such term is defined in the Loan Agreement (each an "Event of Default" hereunder).

5. RIGHTS AND REMEDIES

At any time an Event of Default exists or has occurred and is continuing, in addition to all other rights and remedies of Secured Party, whether provided under this Agreement, the Loan Agreement, the other Financing Agreements, applicable law or otherwise, Secured Party shall have the following rights and remedies which may be exercised without notice to, or consent by, Debtor except as such notice or consent is expressly provided for hereunder:

(a) Secured Party may require that neither Debtor nor any affiliate or subsidiary of Debtor make any use of the Trademarks or any marks similar thereto for any purpose whatsoever. Secured Party may make use of any Trademarks for the sale of goods, completion of work-in-process or rendering of services in connection with enforcing any other security interest granted to Secured Party by Debtor or any subsidiary or affiliate of Debtor or for such other reason as Secured Party may determine.

(b) Secured Party may grant such license or licenses relating to the Collateral for such term or terms, on such conditions, and in such manner, as Secured Party shall in its discretion deem appropriate. Such license or licenses may be general, special or otherwise, and may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.

(c) Secured Party may assign, sell or otherwise dispose of the Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to Debtor of

intended disposition of Collateral is required by law, the giving of five (5) days prior written notice to Debtor of any proposed disposition shall be deemed reasonable notice thereof and Debtor waives any other notice with respect thereto. Secured Party shall have the power to buy the Collateral or any part thereof, and Secured Party shall also have the power to execute assurances and perform all other acts which Secured Party may, in its discretion, deem appropriate or proper to complete such assignment, sale, or disposition. In any such event, Debtor shall be liable for any deficiency.

(d) In addition to the foregoing, in order to implement the assignment, sale, or other disposition of any of the Collateral pursuant to the terms hereof, Secured Party may at any time execute and deliver on behalf of Debtor, pursuant to the authority granted in the Powers of Attorney described in Section

3(f) hereof, one or more instruments of assignment of the Trademarks (or any application, registration, or recording relating thereto), in form suitable for filing, recording, or registration. Debtor agrees to pay Secured Party on demand all costs incurred in any such transfer of the Collateral, including, but not limited to, any taxes, fees, and attorneys' fees and legal expenses. Debtor agrees that Secured Party has no obligation to preserve rights to the Trademarks against any other parties.

(e) Secured Party may first apply the proceeds actually received from any such license, assignment, sale or other disposition of any of the Collateral to the costs and expenses thereof, including, without limitation, attorneys' fees and all legal, travel and other expenses which may be incurred by Secured Party. Thereafter, Secured Party may apply any remaining proceeds to such of the Obligations as Secured Party may in its discretion determine. Debtor shall remain liable to Secured Party for any of the Obligations remaining unpaid after the application of such proceeds, and Debtor shall pay Secured Party on demand any such unpaid amount, together with interest at the rate then applicable to the Obligations set forth in the Loan Agreement.

(f) Debtor shall supply to Secured Party or to Secured Party's designee, Debtor's knowledge and expertise relating to the manufacture and sale of the products and services bearing the Trademarks and Debtor's customer lists and other records relating to the Trademarks and the distribution thereof.

(g) Nothing contained herein shall be construed as requiring Secured Party to take any such action at any time. All of Secured Party's rights and remedies, whether provided under this Agreement, the other Financing Agreements, applicable law, or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively, or concurrently.

6. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in

- 6 -

contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Georgia (without giving effect to principles of conflicts of law).

(b) Debtor and Secured Party irrevocably consent and submit to the non-exclusive jurisdiction of the Superior Court of Fulton County, Georgia and the United States District Court for the Northern District of Georgia and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected or related or incidental to the dealings of Debtor and Secured Party in respect of this Agreement or the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or thereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Secured Party shall have the right to bring any action or proceeding against Debtor or its property in the courts of any other jurisdiction which Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Debtor or its property).

(c) Debtor hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth herein and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Secured Party's option, by service upon Debtor in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, Debtor shall appear in answer to such process, failing which Debtor shall be deemed in default and judgment may be entered by Secured Party against Debtor for the amount of the claim and other relief requested.

(d) DEBTOR AND SECURED PARTY EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF DEBTOR AND SECURED PARTY IN RESPECT OF

THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NO EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. DEBTOR AND SECURED PARTY EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT DEBTOR OR SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF DEBTOR AND SECURED PARTY TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Secured Party shall not have any liability to Debtor (whether in tort, contract, equity or otherwise) for losses suffered by Debtor in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event

- 7 -

occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Secured Party that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Secured Party shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement and the other Financing Agreements.

7. MISCELLANEOUS

(a) All notices, requests and demands hereunder shall be in writing and deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing. All notices, requests and demands upon the parties are to be given to the following addresses (or to such other address as any party may designate by notice in accordance with this Section):

If to Debtor: Delta Apparel, Inc.
 3355 Breckinridge Boulevard
 Suite 100
 Duluth, Georgia 30096
 Attention: Chief Financial Officer

If to Secured Congress Financial Corporation (Southern)
Party: 200 Galleria Parkway
 Suite 1500
 Atlanta, Georgia 30339
 Attention: Portfolio Manager

(b) All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Debtor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof," "herein," "hereunder," "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 7(e) hereof. All references to the term "Person" or "person" herein shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), limited liability company, limited liability partnership, business trust, unincorporated

- 8 -

association, joint stock company, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

(c) This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon Debtor and its successors and assigns and inure to the benefit of and be enforceable by Secured Party and

its successors and assigns.

(d) If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

(e) Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Secured Party. Secured Party shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Secured Party. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Secured Party of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Secured Party would otherwise have on any future occasion, whether similar in kind or otherwise.

- 9 -

IN WITNESS WHEREOF, Debtor and Secured Party have executed this Agreement as of the day and year first above written.

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President & CFO

CONGRESS FINANCIAL CORPORATION
(SOUTHERN)

By: /s/ Daniel Cott

Title: Executive Vice President

- 10 -

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 16th day of May, 2000, before me personally came Herbert M. Mueller, to me known, who being duly sworn, did depose and say, that he/she is the Vice President & CFO of DELTA APPAREL, INC., the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

/s/ Cathleen A. Pellegrino

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 16th day of May, 2000, before me personally came Daniel Cott, to me known, who, being duly sworn, did depose and say, that he/she is the Executive Vice President of CONGRESS FINANCIAL CORPORATION (SOUTHERN), the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

/s/ Cathleen A. Pellegrino

Notary Public

- 11 -

EXHIBIT A
TO
TRADEMARK SECURITY AGREEMENT

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LIST OF TRADEMARKS AND TRADEMARK APPLICATIONS

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Trademark Application -----	Application/Serial Number -----	Application Date ----
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EXHIBIT B
TO
TRADEMARK SECURITY AGREEMENT

LIST OF LICENSES

EXHIBIT C
TO
TRADEMARK SECURITY AGREEMENT

SPECIAL POWER OF ATTORNEY

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

KNOW ALL MEN BY THESE PRESENTS, that DELTA APPAREL, INC. ("Debtor"), having an office at 1020-A Barrow Industrial Parkway Winder, Georgia 30680 hereby appoints and constitutes, severally, CONGRESS FINANCIAL CORPORATION (SOUTHERN) ("Secured Party"), and each of its officers, its true and lawful attorney, with full power of substitution and with full power and authority to perform the following acts on behalf of Debtor:

1. Execution and delivery of any and all agreements, documents, instrument of assignment, or other papers which Secured Party, in its discretion, deems necessary or advisable for the purpose of assigning, selling, or otherwise disposing of all right, title, and interest of Debtor in and to any trademarks and all registrations, recordings, reissues, extensions, and renewals thereof, or for the purpose of recording, registering and filing of, or accomplishing any other formality with respect to the foregoing.

2. Execution and delivery of any and all documents, statements, certificates or other papers which Secured Party, in its discretion, deems necessary or advisable to further the purposes described in Subparagraph 1 hereof.

This Power of Attorney is made pursuant to a Trademark Security Agreement, dated of even date herewith, between Debtor and Secured Party (the "Security Agreement") and is subject to the terms and provisions thereof. This Power of Attorney, being coupled with an interest, is irrevocable until all "Obligations", as such term is defined in the Security Agreement, are paid in full and the Security Agreement is terminated in writing by Secured Party.

Dated: May 16, 2000

DELTA APPAREL, INC.

By: /s/ Herbert M. Mueller

Title: Vice President & CFO

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 16th day of May 2000, before me personally came Herbert M. Mueller, to me known, who being duly sworn, did depose and say, that he/she is the Vice President and CFO of DELTA APPAREL, INC., the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

/s/ Cathleen A. Pellegrino

Notary Public

A- 1

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 16th day of May 2000, before me personally came Herbert M. Mueller, to me known, who being duly sworn, did depose and say, that he/she is the Vice President & CFO of DELTA APPAREL, INC., the corporation described in and which executed the foregoing instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said corporation.

/s/ Cathleen A. Pellegrino

Notary Public

A- 2

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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 June 16, 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 June 16, 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 June 30, 2000.

The American Stock Exchange has approved shares of Delta Apparel's common stock for listing, subject to official notice of issuance.

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.

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 June 1, 2000, and Delta Apparel first mailed this document to stockholders on June 5, 2000.

<TABLE>

TABLE OF CONTENTS

Page
<S>
<C>

QUESTIONS AND ANSWERS ABOUT THE DELTA APPAREL DISTRIBUTION.....3

SUMMARY7

RISK FACTORS.....1

4

THE DELTA APPAREL DISTRIBUTION.....	25
TRADING MARKET	42
RELATIONSHIPS AMONG DELTA APPAREL, DELTA WOODSIDE AND DUCK HEAD	44
CAPITALIZATION	54
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS.....	55
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	61
BUSINESS OF DELTA APPAREL.....	69
MANAGEMENT OF DELTA APPAREL.....	75
SECURITY OWNERSHIP OF SIGNIFICANT BENEFICIAL OWNERS AND MANAGEMENT.....	85
INTERESTS OF DIRECTORS AND EXECUTIVE OFFICERS IN THE DELTA APPAREL DISTRIBUTION.....	91
DESCRIPTION OF DELTA APPAREL CAPITAL STOCK.....	97
2000 ANNUAL MEETING OF DELTA APPAREL STOCKHOLDERS.....	107
FORWARD-LOOKING STATEMENTS MAY NOT BE ACCURATE.....	107
INDEPENDENT AUDITORS.....	107
ADDITIONAL INFORMATION.....	108
INDEX TO COMBINED FINANCIAL STATEMENTS.....	109
INDEPENDENT AUDITORS' REPORT.....	F-1
AUDITED COMBINED FINANCIAL STATEMENTS FOR DELTA APPAREL'S THREE MOST RECENT FISCAL YEARS.....	F-2
UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS FOR THE FIRST NINE MONTHS OF DELTA APPAREL'S 2000 FISCAL YEAR. F-17 </TABLE>	

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) currently conducted by its wholly-owned subsidiaries, Delta Apparel, Inc. and Duck Head Apparel Company, Inc., respectively, 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 is accomplishing 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, have been transferred to Delta Apparel, and the Duck Head Apparel Company business, and associated assets and liabilities, have been transferred to Duck Head.
- Delta Woodside will distribute simultaneously 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 June 16, 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 June 16, 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 June 16, 2000, the Duck Head record date. After the Delta Apparel distribution and the Duck Head distribution, you will also continue to own the shares of Delta Woodside common stock that you owned immediately before the Delta Apparel distribution and the Duck Head 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 Section 355 of the US Internal Revenue Code of 1986, as amended ("Code"). 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.

3

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 June 30, 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 June 30, 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.

4

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: The American Stock Exchange has approved shares of Delta Apparel's common stock for listing, subject to official notice of issuance.

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 June 30, 2000. Delta Apparel believes, however, that there is a possibility 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 June 30, 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.

5

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 June 14 and June 30, 2000) will be accompanied by an attached "due bill" representing Delta Apparel common stock to be distributed in the Delta Apparel distribution and Duck Head common stock to be distributed in the Duck Head distribution. If you sell any of your shares of Delta Woodside common stock prior to or during this period, you will also be selling the attached due bill, and you will thereby lose the right to receive the Delta Apparel common stock and Duck Head common stock represented by the due bill.

Delta Woodside does not expect that "ex-distribution" trading for Delta Woodside common stock will develop before the Delta Apparel distribution date and the Duck Head distribution date. "Ex-distribution" trading means that you could 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.

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 have entered or

will enter 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 44-53.

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

6

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. Except where the context otherwise indicates, all descriptions in this document of Delta Apparel's business assume that the transactions contemplated to occur prior to 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 April 1, 2000 had approximately 2,100 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:

- (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;

7

- (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.

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 June 16, 2000. Based on the number of shares of Delta Woodside common stock outstanding as of May 19, 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 before the Delta Apparel record date 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.

8

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 June 16, 2000.

DELTA APPAREL RECORD DATE

June 16, 2000 (5:00 p.m., Eastern time).

DELTA APPAREL DISTRIBUTION DATE

June 30, 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. The American Stock Exchange has approved shares of Delta Apparel's common stock for listing, subject to official notice of issuance. Delta Apparel believes that there is a possibility 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 44 to 48 of this document.

9

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-20 of this document, and "Management's Discussion and Analysis of Financial Condition and Results of Operations", which begins on page 61 of this document. The combined financial statements of Delta Apparel include the operations and accounts of the Delta Apparel Company division, which consisted 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 April 1, 2000 and March 27, 1999 and for the nine months ended April 1, 2000 and March 27, 1999 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.

10

SELECTED FINANCIAL DATA
<TABLE>
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Months Ended

	July 3, March 27, 1999	June 27, 1998	June 28, 1997	June 29, 1996	July 1, 1995	April 1, 2000
--	------------------------------	------------------	------------------	------------------	-----------------	------------------

STATEMENT OF OPERATIONS
DATA:
thousands)

(In thousands)

(In

<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales 77,513 63,679	\$ 106,779	107,967	112,593	124,601	104,257	
Cost of goods sold (65,847) (59,118)	(101,125)	(103,867)	(109,334)	(108,660)	(85,927)	
Selling, general and administrative expenses (5,700) (8,353)	(13,720)	(13,956)	(9,530)	(10,945)	(10,974)	
Impairment charges -	(1,415)	(7,459)	-	(2,393)	-	-
Other income (loss) (21) (193)	(221)	(505)	(132)	501	55	
Operating income (loss) 5,945 (3,985)	(9,702)	(17,820)	(6,403)	3,104	7,411	
Interest expense, net 6,431 6,870	(9,578)	(6,379)	(5,866)	(5,736)	(5,620)	
Income (loss) before taxes (486) (10,855)	(19,280)	(24,199)	(12,269)	(2,632)	1,791	
Income tax expense (benefit) (13) (51)	(90)	108	(208)	(342)	976	
Income (loss) before cumulative change in accounting principle (473) (10,804)	(19,190)	(24,307)	(12,061)	(2,290)	815	
Cumulative effect of change in accounting principle -	-	-	-	(182)	-	-
Net income (loss) (473) (10,804)	\$ (19,190)	(24,307)	(12,061)	(2,472)	815	

BALANCE SHEET DATA (AT PERIOD END):

Selling, general and administrative expenses (5,549)		(10,940)	
Intercompany management fees (681)		(1,135)	
Provision for bad debt (151)		(1,645)	
Impairment charges		(1,415)	

Other expenses (21)		(221)	

5,264	Operating income (loss)	(9,702)	
Interest (income) expense:			
	Interest expense, net	(2,703)	
(1,075)	Intercompany interest expense	---	

(1,075)		(2,703)	

4,189	Income (loss) before taxes	(12,405)	
Income tax expense (benefit)			
698		(95)	

3,491	Net income (loss)	\$ (12,310)	
=====			
Basic and diluted net income (loss) per share			
1.45		\$ (5.13)	
=====			
Weighted average shares outstanding used in basic and diluted per share calculation (a)			
2,400,000		2,400,000	
=====			

BALANCE SHEET DATA:

32,002	Working capital	\$
77,775	Total assets	
11,100	Total long-term debt	
48,308	Stockholders' equity	

(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 pro forma weighted average shares outstanding do not include securities that would be anti-dilutive for each of the periods presented.

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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 Code Section 355. For this purpose, the phrase "more likely than not" means that, in KPMG LLP's opinion, if KPMG's conclusion is challenged by the IRS, based on all the facts and circumstances, there is a greater than 50% chance of success that the conclusions of KPMG LLP's opinion will be sustained on their own merit.

If the Delta Apparel distribution and the Duck Head distribution qualify as tax-free under 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 \$5.9 million in the nine months ended April 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 nine months of the 2000 fiscal year, Delta Apparel generated \$8.8 million of cash from operations.

Delta Apparel believes that the primary factors that have contributed to its recent positive operating results have been:

14

- Its use of its Honduras plants and sewing contractors with facilities in the Caribbean basin to satisfy its sewing needs. Delta Apparel's offshore sewing accounted for 88% of its sew production in fiscal year 1999 compared to 42% in fiscal year 1996;
- 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 (from 56.5% in fiscal year 1998 to 64.3% in the first nine months of fiscal year 2000); 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 generated cash in the first nine months of 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 nine months ended April 1, 2000, Delta Apparel generated \$8.8 million of cash from operations and reduced the balance of the affiliated debt to Delta Woodside by \$7.5 million. Both the cash generated from operations and the reduction in affiliated debt were after the effect of \$6.4 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.

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 and the availability of alternative sources of supply.

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 expenditures would be required to expand the productive capacity of its Maiden, North Carolina textile plant. See "Business of Delta Apparel."

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.

16

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 70.6% 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 30.8% 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.

17

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 adversely 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.

18

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 from third party suppliers 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 April 1, 2000, on a pro forma basis, after giving effect to the Delta Apparel distribution, Delta Apparel's total indebtedness would have been approximately \$15.9 million, and total stockholders' equity would have been approximately \$48.3 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 25%. In addition, at that date and after giving effect to the Delta Apparel distribution, approximately \$22.6 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:

19

- (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 IMPOSES 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 contains 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 also contains 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 lender 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 limits 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".

20

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.

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 elections 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 that have 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.

21

Delta Apparel's credit agreement also provides that a "change of control", as defined in that agreement, would be an event of default and 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 document 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. See "Security Ownership of Significant Beneficial Owners and Management".

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

22

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.

IF A COURT WERE TO DETERMINE THAT DELTA WOODSIDE DID NOT HAVE THE LEGAL AUTHORITY TO MAKE THE DELTA APPAREL DISTRIBUTION AND THE DUCK HEAD DISTRIBUTION, OR IF A COURT WERE TO DETERMINE THAT THE DELTA APPAREL DISTRIBUTION AND THE DUCK HEAD DISTRIBUTION CONSTITUTED A FRAUDULENT CONVEYANCE, THE DELTA WOODSIDE STOCKHOLDERS COULD BE LIABLE FOR THE VALUE OF THE DELTA APPAREL SHARES THEY RECEIVE IN THE DELTA APPAREL DISTRIBUTION AND THE DUCK HEAD SHARES THEY RECEIVE IN THE DUCK HEAD DISTRIBUTION.

Under South Carolina corporate law, a shareholder may be held liable for the amount of any "distribution" that the shareholder receives from a corporation if the shareholder knows that the distribution violates corporate law. The Delta Apparel distribution and the Duck Head distribution are "distributions" for South Carolina corporate law purposes.

South Carolina corporate law generally prohibits a corporation from making a "distribution" if, after giving effect to the "distribution", the corporation

would not be able to pay its debts as they become due in the usual course of business or the corporation's total assets would be less than its total liabilities. Under South Carolina corporate law, a board of directors may base a determination that a distribution is not prohibited under this rule either on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable in the circumstances.

Under general fraudulent conveyance law, a creditor of a corporation can typically obtain a remedy against a shareholder of the corporation who receives corporate property if, among other matters, the corporation does not receive a reasonably equivalent value in exchange for the transferred property and the corporation was left with property that was unreasonably small in relation to the corporation's business or was or thereby became insolvent.

Applying the tests prescribed by South Carolina corporate law, Delta Woodside's board of directors has determined that Delta Woodside may legally make the Delta Apparel distribution and the Duck Head distribution. In addition, Delta Woodside's board has determined that Delta Woodside's assets remaining

23

after the Delta Apparel distribution and the Duck Head distribution will not be unreasonably small in relation to Delta Woodside's business, and before and after the distributions Delta Woodside will not be insolvent.

A court might disagree with any of these determinations by Delta Woodside's board, if they are challenged. In that event, any Delta Woodside shareholder who receives Delta Apparel shares in the Delta Apparel distribution and Duck Head shares in the Duck Head distribution may be liable for the value of the Delta Apparel shares and Duck Head shares so received.

24

THE DELTA APPAREL DISTRIBUTION

PARTIES TO THE DISTRIBUTION AGREEMENT

Delta Woodside

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 Delta Woodside and 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

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

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, and has taken various actions 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.

25

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.

26

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

27

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

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.

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;

28

- (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

29

- (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 to effect the Delta Apparel distribution, the Board also took into account the following additional factors:

- The opinion delivered to the Delta Woodside board by Houlihan Lokey

- 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-20;
- 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.

All members of the Delta Woodside board (other than Bettis C. Rainsford) voted in favor of effectuating the Delta Apparel distribution, the Duck Head distribution and related transactions. See "Security Ownership of Significant Beneficial Owners and Management."

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

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 and related services, Houlihan Lokey will be paid a fee of \$225,000 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" has been entered into on or prior to 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" has been completed.

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 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 nine 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 budgets and forecasts 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.

32

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").

Each of "fair value" and "present fair saleable value" is defined as the amount that may be realized if Delta Apparel's aggregate assets (including goodwill) are sold as an entirety with reasonable promptness in an arm's length transaction under present conditions for the sale of comparable business enterprises, as such conditions can be reasonably evaluated.

Balance Sheet Test

The Balance Sheet Test determines whether or not the fair value and present fair saleable 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;
- (iii) performance of certain publicly traded companies deemed by Houlihan Lokey to be comparable to Delta Apparel, in terms of, among other things: lines of business, 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/earnings before interest, taxes, depreciation and amortization ("EBITDA") and (c) EV/earnings before interest and taxes ("EBIT");
- (v) multiples derived from acquisitions of companies deemed by Houlihan Lokey to be comparable to Delta Apparel;
- (vi) the Discounted Cash Flow Approach;
- (vii) the capital structure and debt obligations of Delta Apparel; and
- (viii) non-operating assets and identified contingent liabilities.

"Enterprise Value" or "EV" is defined as total market value of equity plus net interest bearing debt.

In determining the fair value and present fair saleable value of the aggregate assets of Delta Apparel, the following methodologies were employed: the Market Multiple Approach and the Discounted Cash Flow Approach.

33

Market Multiple Approach. The application of the Market Multiple Approach involves the derivation of indication of value through the multiplication of relevant performance fundamentals of the subject entity by appropriate 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"). Houlihan Lokey selected four publicly traded domestic companies that are engaged in the manufacturing and marketing of private label apparel (Garan, Inc., Gildan Activewear, Inc., Russell Corporation and Tarrant Apparel Group) for comparison to Delta Apparel. Observed market pricing multiples of the Comparable Public Companies were as follows: (I) EV/Latest Twelve Month ("LTM") Revenue ranging from 0.46x to 1.56x with a median of 0.77x; (ii) EV/LTM EBIT ranging from 4.9x to 12.4x with a median of 8.0x and (iii) EV/LTM EBITDA ranging from 4.1x to 10.7x with a median of 5.3x. A comparative analysis between Delta Apparel and the Comparable Public Companies formed the basis for the selection of appropriate multiples for Delta Apparel. The comparative analysis incorporates both quantitative and qualitative factors which relate to, among other things, the nature of the industry in which Delta Apparel and the Comparable Public Companies are engaged and the relative financial performance of Delta Apparel and the Comparable Public Companies. An indicated Enterprise Value of \$67.2 million was derived based on the application of selected market multiples to the relevant fundamentals of Delta Apparel and

an adjustment for control through the application of a 25% control premium. The selected control premium of 25% was based on change of control transactions of publicly-traded apparel companies and available market studies. The indicated Enterprise Value of \$67.2 million reflects implied multiples for Delta Apparel of 0.6x LTM Revenues of \$114 million, 17.6x LTM EBIT of \$3.8 million and 5.0x LTM EBITDA of \$13.5 million. The indicated Enterprise Value for Delta Apparel based on the Comparable Public Companies analysis exceeded its stated liabilities and identified contingent liabilities by \$54 million.

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 and considered most relevant. The 1999 transactions included Alba-Waldenisan/Tefron Ltd., Synthetic Industries/Investcorp, Authentic Fitness/Warnaco Group, Inc. Concord Fabrics, Inc/Private Group, Segrets Inc./Liz Claiborne, St. Johns Knits/Private Group and Koret of California/Kellwood Company. From the application of market multiples, indications of value were developed through the capitalization of the relevant performance fundamentals of Delta Apparel. Relevant fundamentals considered were LTM Revenues, EBITDA and EBIT. Within the seven most recent transactions, observed EV/Revenues multiples ranged from 0.4x to 1.7x with a median of 1.0x, EV/EBITDA ranged from 6.2x to 8.5x with a median of 6.4x and EV/EBIT ranged from 7.4x to 12.0x with a median of 8.7x. Based on the Comparable Transactions analysis, an Enterprise Value of \$59.5 million was derived for Delta Apparel. The indicated Enterprise Value of \$59.5 million produced implied multiples of 0.8x LTM Revenue, 7.3x LTM EBITDA and 9.6x LTM EBIT. The indicated Enterprise Value for Delta Apparel based on the Comparable Transactions analysis exceeded its stated liabilities and identified contingent liabilities by \$46.2 million.

Discounted Cash Flow Approach. The Discounted Cash Flow Approach involved the development of Enterprise Value indications from the appraisal of projected cash flows to be generated by Delta Apparel, which were based on fiscal years 2000 to 2004 financial forecasts prepared by the management of Delta Apparel. The projected cash flows include interim cash flows over the forecast period and a terminal year cash flow, which represents the value of Delta Apparel beyond the forecast period. The interim cash flows reflect the cash available to all capital providers (debt and equity) after accounting for required capital investments. The terminal year cash flow reflects an estimate of the fair and saleable value of Delta Apparel at the end of the forecast period, June 30, 2004. This estimation was developed from the application of the Market Multiple Approach described above, wherein projected fundamentals were capitalized based on selected market multiples. Indications of Enterprise Value were developed by applying an appropriate discount rate or cost of capital to the projected cash flows and terminal value. The concluded Enterprise Value, or sum of the projected cash flows and terminal value, ranged between \$119.8 and \$130.0 million depending on the discount rate and terminal multiple selected. The discount rate reflects the degree of risk inherent in the assets of Delta

34

Apparel and its ability to produce the projected cash flows. The range of discount rates and terminal multiples considered was 12% to 13% and 4.0x to 4.5x, respectively. The concluded range of Enterprise Values for Delta Apparel based on the Discounted Cash Flow approach exceeded its stated liabilities and identified contingent liabilities by \$106.5 million to \$116.8 million.

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 incurred in the Transaction). This test involves a two-step analysis of Delta Apparel's fiscal year 2000 to fiscal year 2004 financial projections: (i) examines the financial projections relative to a variety of factors including: historical performance, marketing plans and cost structure, and (ii) analyzes the sensitivity of the projections to changes in key operating variables.

Delta Apparel has made changes to its management team, restructured its operations, reduced certain costs and implemented certain marketing plans. As a result of the changes implemented by Delta Apparel, management's forecast for the business represents an improvement over Delta Apparel's recent financial performance. Delta Apparel's financial performance for fiscal year 2000 reflects in part the changes implemented by Delta Apparel's management and represents an improvement over financial results for fiscal year 1999.

The sensitivity analysis of Delta Apparel's projections involved testing a

number of underlying operating assumptions, including: revenue growth, operating margins and capital investment requirements. Delta Apparel's ability to meet its debt obligations was analyzed in the context of varying a number of the operating assumptions. Based on the sensitivity analysis conducted on Delta Apparel's financial forecast, Delta Apparel demonstrated an ability to meet its obligations as they came due under a range of financial forecast scenarios.

Reasonable Capital Test

The Reasonable Capital Test follows from the Balance Sheet and Cash Flow Tests. 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 June 1, 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.

35

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 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 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

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.

36

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 June 30, 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 June 16, 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 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 May 19, 2000 and the number of Delta Woodside shares to be issued before the Delta Apparel record date 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 June 30, 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.

37

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 US 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 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 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 Code Section 355. 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 Code Section 355. Whether the Delta Apparel distribution and the Duck Head distribution qualify under Code Section 355 as tax-free spin-offs will depend on whether the criteria in Code 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 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

and the Duck Head Distribution Qualify as Tax-Free Spin-Offs under Code

Section 355

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 Delta Apparel common stock and Duck Head common stock in those distributions will not recognize gain upon either of the distributions, except as described immediately below with respect to fractional shares.

38

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.

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 a tax authority and ultimately sustained by a court of law.

Material Federal Income Tax Consequences if the Delta Apparel Distribution

and the Duck Head Distribution Do Not Qualify as Tax-Free Spin-Offs under

Code Section 355

If the Delta Apparel distribution and the Duck Head distribution do not qualify as tax-free spin-offs under Code 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.
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. KPMG LLP acts as the independent auditor of the financial statements of Delta Woodside, Delta Apparel and Duck Head and as their respective tax advisors. KPMG LLP has also provided various consulting services to Delta Woodside. KPMG LLP receives and 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 relating to KPMG LLP's engagement by Delta Woodside.

40

In connection with the opinion of KPMG LLP respecting the U.S. federal income tax consequences of the Delta Apparel distribution and the Duck Head distribution, each of E. Erwin Maddrey, II, Buck A. Mickel, Micco Corporation, Minor H. Mickel, Minor M. Shaw and Charles C. Mickel will represent to KPMG LLP that such greater than 5% beneficial owner of Delta Woodside shares has no binding commitment to sell, exchange, transfer by gift or otherwise dispose of any Delta Woodside shares, Delta Apparel shares or Duck Head shares after the Delta Apparel and Duck Head distributions, that such shareholder has no present plan or intention to sell, exchange, transfer by gift or otherwise dispose of any Delta Woodside shares, Delta Apparel shares or Duck Head shares except when paired with a proportionate disposition of shares in all three companies and that such shareholder has no present plan or intention to acquire (directly or indirectly) during the period ending 2 years from the date of the Delta Apparel distribution and the Duck Head distribution additional Delta Woodside shares, Delta Apparel shares or Duck Head shares that, when added to such shareholder's existing stockholding, would represent a 50% or greater interest in Delta Woodside, Delta Apparel or Duck Head. See "Security Ownership of Significant Beneficial Owner and Management."

Net Operating Loss Carry Forwards

As of July 3, 1999, Delta Woodside has net operating loss carry forwards, for US consolidated federal income tax purposes, of approximately \$68 million. KPMG LLP has provided its opinion that it is more likely than not that (a) Duck Head will retain as its attribute its allocable share of the Delta Woodside US consolidated federal income tax net operating loss carry forward; (b) Delta Apparel will retain as its attribute its allocable share of the Delta Woodside US consolidated federal income tax net operating loss carry forward; and (c) the Delta Woodside US consolidated federal income tax group will retain as its attribute the balance of the Delta Woodside net operating loss not allocable to Duck Head and Delta Apparel. Delta Woodside has estimated Duck Head's and Delta Apparel's allocable shares of the US consolidated federal income tax net operating loss carry forward as of July 3, 1999 at \$3 million and \$9 million, respectively. Delta Woodside believes that these loss carryforwards will expire at various dates in fiscal year 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.

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.

41

TRADING MARKET

As of the Delta Apparel record date, all of the outstanding shares of Delta Apparel will be owned by Delta Woodside. As of that date, there will be 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. The American Stock Exchange has approved shares of Delta Apparel's common stock for listing, subject to official notice of issuance. Delta Apparel believes that there is a possibility 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 (if "when-issued" trading develops) 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".

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 equity securities

42

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.

43

RELATIONSHIPS AMONG DELTA APPAREL, DELTA WOODSIDE AND DUCK HEAD

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 the Duck Head 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 and the Duck Head distribution with respect to, among other things, indemnification arrangements and employee benefit arrangements.

Intercompany reorganization

Pursuant to the distribution agreement, Delta Woodside, Delta Apparel and Duck Head have caused the following to be effected:

- (a) Delta Woodside and its subsidiaries (other than Delta Mills) contributed, as contributions to capital, all net debt amounts owed to any of them by the corporations that conducted the Delta Apparel Company division's business and the Duck Head Apparel Company division's business, with the exceptions of (i) the intercompany debt that was attributable to the portion of the amounts borrowed since January 1, 2000 for use by the Delta Apparel Company division's business or the Duck Head Apparel Company division's business from Delta Woodside's credit agreement lender that were repaid to that lender or to Delta Woodside with borrowings under Delta Apparel's and Duck Head's new credit facilities (which repayments cancelled such intercompany debt) and (ii) any amounts owed by Delta Apparel to Delta Mills for yarn sold by Delta Mills to Delta Apparel, which amounts shall be paid in the ordinary course of business. These intercompany contributions of debt did not, however, affect any obligation that Delta Woodside, Delta Apparel or Duck Head may have under the distribution agreement or the tax sharing agreement. Prior to

completion of the intercompany reorganization, the Delta Apparel Company division's assets were owned by several of Delta Woodside's wholly-owned subsidiaries, and the Duck Head Apparel Company division's assets were 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 were transferred to Delta Apparel or a subsidiary of Delta Apparel to the extent not already owned by Delta Apparel or its subsidiaries. This transfer included 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".

44

- (c) Delta Apparel assumed all of the liabilities of the Delta Apparel Company division of Delta Woodside, and caused all holders of indebtedness for borrowed money that were part of the assumed Delta Apparel liabilities and all lessors of leases that were 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, consented to not being released from the obligations).
- (d) All the assets used in the operations of the Duck Head Apparel Company division's business were transferred to Duck Head or a subsidiary of Duck Head to the extent not already owned by Duck Head or its subsidiaries.
- (e) Duck Head assumed all of the liabilities of the Duck Head Apparel Company division of Delta Woodside, and caused all holders of indebtedness for borrowed money that were part of the assumed Duck Head liabilities and all lessors of leases that were 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, consented to not being released from the obligations).
- (f) Delta Woodside caused all holders of indebtedness for borrowed money and all lessors of leases that were 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, consented to not being released from the obligations).

Indemnification

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

Delta Woodside has caused the employees of the Delta Apparel Company division to become employees of Delta Apparel, Delta Apparel has assumed 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, the Delta Woodside incentive stock award plan and the Delta Woodside long term incentive plan, if any) to be transferred to a comparable employee benefit plan of Delta Apparel.

45

Intercompany Accounts

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 April 1, 2000, these amounts aggregated approximately \$2.8 million.

Other than any obligations described in or arising under the distribution agreement or the tax sharing agreement, each of Delta Woodside, Delta Apparel and Duck Head has represented to each other that it is not aware of any other intercompany receivable, payable or loan balance that will exist as of the time of the Delta Apparel distribution and the Duck Head distribution between any of them.

Transaction Expenses

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 of 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.
 - (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 and the Duck Head 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

Boards of Directors of Delta Apparel, Delta Woodside and Duck Head

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

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

Manufacturing Services

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 nine months of fiscal year 2000:

<TABLE>
<CAPTION>

(in thousands of dollars)

	1997 ----	Fiscal year ----- 1998 ----	1999 ----	First nine months of Fiscal year 2000 -----
<S>	<C>	<C>	<C>	<C>
Sold to Duck Head	403	156	481	28
Purchased from Duck Head	653	132	-	-
Purchased from Delta Mills(1)	26,456	17,683	-	-

- - - - -
</TABLE>

(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, and yarn produced by the Rainsford plant and used by Delta Apparel, after that transfer, is not treated as sold by Delta Mills to Delta Apparel.

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 will not be material.

Purchase of Rainsford Plant -----

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.

Pursuant to the distribution agreement, Delta Mills sold to Delta Apparel the Rainsford plant and related inventory effective as of May 6, 2000. Delta Mills and Delta Apparel agreed that the purchase price for these assets would be the assets' book value as of the effective date of the sale. The purchase price for the real property, furniture, fixtures and equipment was approximately \$12.0 million and the purchase price for the inventory and other tangible personal property was approximately \$1.4 million. This purchase price was paid in cash in the amount of approximately \$12.5 million and by the assumption by Delta Apparel of certain liabilities aggregating approximately \$0.9 million as of the effective date of the sale. Delta Apparel paid the cash portion of the purchase price with borrowings under its credit facility. In connection with the closing, Delta Apparel agreed to assume any environmental liability that may arise with respect to the Rainsford plant regardless of the time period with respect to which that liability arises.

Until the effective date of the transfer of title from Delta Mills to Delta Apparel of the Rainsford plant, all yarn produced by the Rainsford plant for use in the Delta Apparel business was sold by Delta Mills to Delta Apparel. The

49

amounts owed by Delta Apparel to Delta Mills from these sales, which aggregated \$2.8 million at April 1, 2000, will be paid in the ordinary course of business.

The terms of the 9 5/8% Senior Notes of Delta Mills required 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 the sale by Delta Mills to Delta Apparel of the Rainsford plant. Delta Mills engaged The Robinson-Humphrey Company, LLC to provide this opinion.

THE OPINION PROVIDED BY ROBINSON-HUMPHREY RESPECTING THE SALE OF THE RAINSFORD PLANT ADDRESSED THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE SALE TO THE HOLDERS OF THE SENIOR NOTES OF DELTA MILLS. THE OPINION DID 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 provided 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 a draft of 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;
- 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 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 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 was necessarily based upon market, economic and other conditions as they existed on, and could 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

50

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 of 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 was 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 was 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 May 11, 2000. 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.

Analysis of Selected Merger & Acquisition Transactions

Robinson-Humphrey reviewed the financial terms, to the extent publicly available, of 28 proposed, pending or completed merger and acquisition transactions in the textile industry since 1995 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, and equity value as a multiple of LTM net income and book value for the comparable merger and acquisition transactions.

51

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 16% to 20% 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 delivered its written opinion that, as of the date of its opinion, the sale of the Rainsford plant was 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 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.

52

Management Services

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 nine months of fiscal year 2000, Delta Woodside charged the Delta Apparel Company division \$0 for these services.

Other

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.

53

CAPITALIZATION

The following table sets forth at April 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 portions of this document found under the headings "The Delta Apparel Distribution" and "Relationships Among Delta Apparel, Delta Woodside and Duck Head - Distribution Agreement". You should read this table in conjunction with the information located under the heading "Combined Financial Statements" and the condensed combined financial statements of Delta Apparel and related notes as of April 1, 2000 and for the nine months ended April 1, 2000, included on pages 55-60 and F-17 to F-20, respectively, of this document.

<TABLE>
<CAPTION>

	AS OF APRIL 1, 2000	
PROFORMA	ACTUAL	
thousands) <S>	<C>	<C>
	(Dollars in	
Long-term debt, including current maturities		
Revolver loan	\$	---
3,100		
Five year term loan		---
10,000		
Due to parent and affiliates		131,964
2,815		
Total long-term debt (including current maturities)		131,964
15,915		
Less current maturities		(101,547)
(4,815)		
Total long-term debt (excluding current maturities)		30,417
11,100		
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		---
48,284		
Divisional deficit		(67,030)

Total stockholders' equity (deficit)		(67,030)
48,308		
Total capitalization	\$	(36,613)
59,408		

</TABLE>

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-20.

The unaudited pro forma combined balance sheet has been prepared to give effect to the following transactions as if they occurred on April 1, 2000:

- The contribution to equity or repayment of the intercompany debt owed by Delta Apparel to Delta Woodside and its subsidiaries (other than accounts payable for yarn purchases) and the distribution of Delta Apparel common stock to the existing Delta Woodside stockholders; and
- The incurrence of new financing.

The unaudited pro forma combined statements of operations for the year ended July 3, 1999 and for the nine months ended April 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 or repayment of the intercompany debt and borrowings utilizing outside financing;
- 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.

<TABLE>
<CAPTION>

DELTA APPAREL COMPANY
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
APRIL 1, 2000

PRO FORMA AS ADJUSTED -----	HISTORICAL -----	PRO FORMA ADJUSTMENTS -----
-----------------------------------	---------------------	-----------------------------------

(IN THOUSANDS, EXCEPT FOR

SHARE DATA)

<p><S></p>	<p><C></p>	<p><C></p>
<p><C></p>		

ASSETS

Current Assets:		
Cash	\$	116
116		
Accounts and other receivables		17,482
17,482		

31,217	Inventories		31,217	
1,032	Prepaid expenses and other current assets		1,032	

49,847	Total current assets		49,847	
27,778	Property, plant and equipment, net		27,778	
150	Other assets		150	

77,775			77,775	
			=====	
	LIABILITIES AND STOCKHOLDERS'/DIVISIONAL EQUITY (DEFICIT)			
	Current liabilities:			
2,000	Current installments of long-term debt	\$	----	2,000 (2)
12,051	Accounts payable and accrued liabilities		12,051	
2,815	Due to related parties		101,547	(98,732) (1)
979	Income taxes payable		268	711 (3)
			-----	-----
17,845	Total current liabilities		113,866	(96,021)
	Due to related parties		30,417	(30,417) (1)
	Long-term debt		--	11,100 (2)
522	Other long-term liabilities		522	
			-----	-----
29,467	Total liabilities		144,805	(115,338)
	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 issued and outstanding on a pro forma basis		--	24 (1)
48,284	Additional paid-in capital		--	48,284 (1)
	Divisional deficit		(67,030)	67,030 (1)
			-----	-----
48,308	Total stockholders'/divisional equity (deficit)		(67,030)	115,338
			-----	-----
77,775		\$	77,775	--
			=====	=====

</TABLE>

See notes to unaudited pro forma combined financial statements.

56

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

APRIL 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 or repayment of net intercompany debt owed by Delta Apparel to Delta Woodside and subsidiaries totaling \$129,149 less \$2,815 for yarn purchases 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 with new outside financing totaling \$13,100, the proceeds of which are used to pay the purchase price of the Rainsford plant and associated inventory (which for purposes of these pro forma financial statements is deemed to be the net book value of those assets as of April 1, 2000).
- 3) To reflect estimated tax liability.

57

<TABLE>
<CAPTION>

DELTA APPAREL COMPANY
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 3, 1999

PRO FORMA AS ADJUSTED ----- SHARE DATA)	HISTORICAL ----- (IN THOUSANDS, EXCEPT FOR SHARE DATA)	PRO FORMA ADJUSTMENTS -----
<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)	
(1,135)		
Provision for bad debt	(1,645)	
(1,645)		
Impairment charges	(1,415)	
(1,415)		
Other expenses	(221)	
(221)		

Operating loss	(9,702)	
(9,702)		
Interest income (expense):		

Selling, general and administrative expenses (5,549)	(5,549)		
Intercompany management fees (681)	--	(681)	(2)
Provision for bad debts (151)	(151)		
Other expenses (21)	(21)		
---	-----	-----	-----
Operating income	5,945	(681)	
5,264			
Interest income (expense):			
Interest expense, net (1,075)	(27)	(1,048)	(1)
Intercompany interest expense	(6,404)	6,404	(1)
--	-----	-----	-----
---	(6,431)	5,356	
(1,075)	-----	-----	-----

Income (loss) before income taxes	(486)	4,675	
4,189			
Income taxes (benefit) 698	(13)	711	(3)
---	-----	-----	-----
Net income (loss)	\$ (473)	3,964	
3,491	=====	=====	
=====			
Basic and diluted net income per share 1.45			\$
=====			
Weighted average shares outstanding used in basic and diluted per share calculation (4) 2,400,000			
=====			

See notes to unaudited pro forma combined financial statements.

</TABLE>

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 from the new credit agreement lender of \$10,000 under a term loan and amounts outstanding under a revolver loan (including working capital borrowings to replace intercompany borrowings for working capital needs) 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 nine months ended April 1, 2000 and the fiscal year ended July 3, 1999 totaling \$6,404 and \$9,457, respectively, on the intercompany debt owed by Delta Apparel to Delta Woodside and subsidiaries. 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 \$15 higher in the nine months ended April 1, 2000.
- 2) To reflect intercompany management fees for the nine month period ended April 1, 2000 of \$681, related to payroll and purchasing administrative expenses, director fees, SEC reporting expenses, software expenses and audit fees. The amount was adjusted based upon the historical amount charged by Delta Woodside for the year ended July 3, 1999.
- 3) To reflect estimated tax liability.
- 4) To reflect earnings per share based on the weighted-average shares outstanding assuming a distribution of one Delta Apparel share for every ten Delta Woodside shares outstanding on the record date.

60

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 fiscal 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 33% from fiscal year 1996 to the third 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 \$7.3 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 and continue to improve 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 two years, 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 past and ongoing 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 continued improvements in Delta Apparel's information technology and 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

61

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.

FIRST NINE MONTHS OF FISCAL YEAR 2000 VERSUS FIRST NINE MONTHS OF FISCAL YEAR 1999

Net Sales. Net sales for the nine month period ended April 1, 2000 were \$77.5 million as compared to net sales of \$63.7 million for the prior year nine month period. This increase was due to significantly higher unit volume (up 38%, accounting for \$24.3 million) at lower average selling prices (down 12%, accounting for \$(10.5) million).

Gross Margin. Gross profit and gross profit margin for the first nine month period of fiscal year 2000 were \$11.7 million and 15.0%, respectively, as compared to \$4.6 million and 7.2%, respectively, in the prior year nine month period. The improvement is partially due to a \$2.4 million adjustment to fixed assets resulting from a physical inventory completed in the third quarter of fiscal 1999. In addition, the lower average selling prices were largely offset by lower costs of raw materials and lower manufacturing costs, driven by improved manufacturing efficiencies and higher capacity utilization in the fiscal year 2000 nine month period.

Selling General and Administrative Expenses. For the nine month period ended April 1, 2000, selling, general and administrative expenses were \$5.7 million, or 7.4% of sales, a decrease of \$2.7 million from the prior year nine month period of \$8.4 million, or 13.2% of sales. This decrease was due to a number of factors, including lower corporate overhead, reduced bad debt expense, lower commission 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 nine month period ended April 1, 2000 operating income was \$5.9 million or 7.7% of sales. The \$9.9 million improvement from the operating loss of \$4.0 million for the prior year nine month period was due to the factors described above.

Net Interest Expense. For the nine month period ended April 1, 2000, net interest expense was \$6.4 million, as compared to \$6.9 million for the nine month period ended March 27, 1999. The decrease in interest expense was primarily a result of a 9% decrease in the average principal balance outstanding on affiliated debt.

Taxes. The effective tax benefit rate was 2.7% for the nine months ended

April 1, 2000 as compared to the effective tax benefit of 0.5% for the nine months ended March 27, 1999. Although both periods reflected a pretax loss, the current period's benefit is larger due to the release of valuation allowance previously set up against net operating losses.

Net Loss. The net loss for the nine month period ended April 1, 2000 of \$0.5 million was \$10.3 million lower than the net loss of \$10.8 million for the prior year period. This decrease was due to the factors described above.

Inventories. Inventories at Delta Apparel at April 1, 2000 were \$31.2 million as compared to \$46.0 million on March 27, 1999. This reduction in inventory was due to lower units on hand, better management of in process inventory, and the lower manufacturing cost of goods described above.

Capital Expenditures. Capital expenditures were \$1.3 million for the nine month period ended April 1, 2000 as compared to \$2.5 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 April 1, 2000 was \$18.3 million, a \$12.4 million decrease from the \$30.7 million at March 27, 1999. In the third quarter of fiscal 1999, as a result of excessive inventory quantities, Delta Apparel began offering special pricing as part of Delta Apparel's inventory reduction plan. This caused the March 27, 1999 order backlog to be

62

unusually high and to increase significantly over the December 26, 1998 backlog amount. Due to the lower inventory levels during fiscal 2000, these special pricing allowances were not given, thereby causing the order backlog at April 1, 2000 to be significantly less than at March 27, 1999. Delta Apparel believes that backlog orders can give a general indication of future sales.

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 (down 11%, accounting for \$(5.7) million) partially offset by increased unit sales (up 12%, accounting for \$11.7 million) as compared to fiscal year 1998. Part of the average lower sales prices resulted from reserves that were established for sales promotion programs to distributors (\$0.5 million), an increase in the reserve for general returns and allowances that resulted from a higher rate of returns and allowances during the fiscal year (\$0.3 million), and a higher number of unresolved chargebacks at the end of the fiscal year (\$0.3 million).

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 reserves established of approximately \$1.0 million for two customer bankruptcies. In addition, the reserve for bad debt also increased in the fiscal year due to a higher level of aged receivables.

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 \$7.3 million that was recorded to write off the excess of cost over assigned value of net assets acquired as described below under the subheading "Fiscal year 1998 versus fiscal year 1997." 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. The Washington, Georgia facility incurs significantly higher operating cost as compared to off-shore sewing operations. The distribution center is a multistory building, which creates distribution inefficiencies. Both assets had book values in excess of their respective market values. In the impairment charge, Delta Apparel recognized the inability for the facilities to generate cash flow that would warrant the excess book value. Both of these facilities were written down to their respective estimated 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. Pursuant to the distribution agreement, the affiliated debt has recently been contributed to equity or repaid and replaced with significantly lower levels of third party debt. See "Capitalization"; "Unaudited Pro Forma Combined Financial Statements".

63

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.

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 net sales of \$113 million in fiscal year 1997. The decline in sales was due almost entirely to lower unit prices (down 4.2%).

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. As part of the close for fiscal year 1997, due to the loss of NIKE (Delta Apparel's largest customer), which had contributed to Delta Apparel suffering significant operating loss, an impairment analysis was performed that compared the net book value of Delta Apparel's long lived assets to projected undiscounted cash flows. The projected undiscounted cash flows exceeded the net book value of the long lived assets, so no impairment was deemed to exist at that time. During the third quarter of fiscal year 1998. Accordingly, a charge of \$7.3 million was taken to write-off this excess of cost over assigned value of net assets acquired. The Rainsford plant was deemed

acquired by Delta Apparel in April 1998 at its written down cost. 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.

64

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 difference 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.

LIQUIDITY AND CAPITAL RESOURCES

Historical

In the first nine months of fiscal year 2000 and in each of 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 \$8.8 million of cash provided in the first nine months of fiscal 2000 as compared to \$11.6 million of net cash used in the first nine 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 nine 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 \$6.4 million of interest due to Delta Woodside on affiliated debt in the first nine months of fiscal year 2000. 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

Pursuant to the distribution agreement, all net debt amounts (other than certain accounts payable) owed to Delta Woodside by the corporations that previously had conducted the Delta Apparel Company division's business and the Duck Head Apparel Company division's business have been contributed to capital or repaid. As a result of this action, Delta Apparel no longer owes 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 has entered into the following financing arrangements:

65

- Delta Apparel has entered into a credit agreement with a lending institution, under which the lender has provided 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 banks prime rate plus an applicable margin. Delta Apparel has granted 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 contains 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 is 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.

The pro forma statements included in this document under the heading "Unaudited Pro Forma Combined Financial Statements" assume that these capital contributions and intercompany debt repayments had occurred and these new debt facilities were in place as of April 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 \$0.1 million (as compared to \$6.8 million actual use of cash from operations). The lower use of cash would have been mainly due to \$6.9 million less interest expense on the institutional lender debt as compared to the actual interest charged on the affiliated debt.

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 nine months of fiscal year 2000 would have been approximately \$12.8 million. This \$4.0 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.

In connection with the Delta Apparel distribution, Delta Apparel has purchased from Delta Mills the Rainsford plant, located in Edgefield, South Carolina, and related inventory. Delta Mills and Delta Apparel agreed that the purchase price for these assets would be the assets' book value as of the effective date of the sale. The purchase price for the real property, furniture, fixtures and equipment was approximately \$12.0 million and the purchase price for the inventory and other tangible personal property was approximately \$1.4 million. This purchase price was paid in cash in the amount of approximately \$12.5 million and by the assumption by Delta Apparel of certain liabilities aggregating approximately \$0.9 million as of the effective date of the sale. Delta Apparel paid the cash portion of the purchase price with borrowings under its credit facility.

Typically, Delta Apparel's peak borrowing needs are in the third and fourth fiscal quarters. When Delta Apparel entered into its new credit facility, it owed amounts to the lender on Delta Woodside's existing credit facility or to Delta Woodside for certain borrowings made to fund Delta Apparel's needs after January 1, 2000. These borrowings were refinanced by proceeds of Delta Apparel's new credit facility.

66

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 April 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 \$1.4 million on the value of the contracts.

Interest Rate Sensitivity. Delta Apparel's credit agreement provides 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 \$111,000 higher in the nine months ended April 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 management'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 permits 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 also permits 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.

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.

Products, Marketing and Manufacturing

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. In order to expand its textile production capacity, Delta Apparel is establishing an arrangement with a third party textile manufacturer under which the manufacturer will supply textile fabrics to Delta Apparel. 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

69

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.

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 \$.616 in the first nine 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 and has fixed the price for approximately 100% of its expected cotton requirements for fiscal year 2000. For fiscal year 2001, Delta Apparel had, at April 1, 2000, contracted to purchase approximately 73% and fixed the price on approximately 39% of its expected cotton requirements. 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 have 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 nine 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

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 largely a totally vertical producer to reduce costs, plan efficient production, implement exacting controls and provide consistent products.

70

- 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.
- 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

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 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.

71

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.

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 largely 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

At April 1, 2000, Delta Apparel had approximately 2,100 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

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 believes 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 relating to waste water discharge, any significant increase in production capacity of the Maiden, North Carolina plant would require significant expenditures for environmental studies and, depending on the results of those studies, possible significant other expenditures. The plant holds a permit to discharge 1 million gallons per day, and currently discharges approximately 950,000 gallons per day.

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.

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., a Tennessee corporation (which conducted 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.

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)

- (1) The lease of the Duluth, Georgia offices expires in August 2000.
- (2) In connection with the Delta Apparel distribution, Delta Mills has transferred title to 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.

Substantially all of Delta Apparel's assets are subject to liens in favor of 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>

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 (43)	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)

</TABLE>

(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 and the Duck Head 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.

(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 currently has ceased business operations but is 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 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 and the Duck Head 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

76

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.

(10) Member of Audit Committee.

(11) Member of Compensation Committee.

(12) Member of Compensation Grants Committee.

The Delta Apparel board is considering the establishment of a board governance committee of the Delta Apparel board.

EXECUTIVE OFFICERS

The following provides information regarding the executive officers of Delta Apparel.

Name and Age -----	Position -----
Robert W. Humphreys (43)	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 -----

The following table sets forth information for the fiscal year ended July 3, 1999 respecting the compensation from Delta Woodside or any of its subsidiaries that was earned by Delta Apparel's current Chief Executive Officer and by the other current executive officer of Delta Apparel who earned salary

77

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.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

Name and Principal Position -----	Annual Compensation			Other Annual Compensation (\$)(c)	Long-Term Compensation Awards	
	Fiscal Year	Salary (\$)(a)	Bonus (\$)(a)(b)		Securities Underlying Options #(d)	All Other Compensation (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Robert W. Humphreys (g) President and Chief Executive Officer, Delta Apparel division(e)	1999	223,077	94,286	14,715	0	543,449 (f)

Herbert M. Mueller (h) Vice President Delta Apparel division	1999	140,000	23,080	3,880	0	372 (f)
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</TABLE>

(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.

78

(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.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option

Values

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.

AGGREGATED OPTION EXERCISES IN LAST
FISCAL YEAR AND FY-END OPTION VALUES

<TABLE>

<CAPTION>

Unexercised at (a) Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at FY-End (#)		Value of In-the-Money Options FY-End (\$)
			Exercisable	Unexercisable	Exercisable
Robert W. Humphreys 14,414	3,000	17,784	22,875	5,625	78,807
Herbert M. Mueller 26,719	800	8,622	1,500	4,500	8,906

(a) Based on the closing sales price of \$5.9375 per Delta Woodside share on July 2, 1999.

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. 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 will be paid a bonus of at least \$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 minimum 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 has assumed Delta Woodside's obligations under the April 1999 letter in connection with the Delta Apparel distribution.

Delta Apparel Stock Option Plan

Under the Delta Apparel stock option plan, the compensation committee (or, in the case of at least the Named Executives, the compensation grants committee)

80

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 at least 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 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.

81

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.

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.

82

Delta Apparel Incentive Stock Award Plan

Under the Delta Apparel incentive stock award plan, the compensation committee (or, in the case of at least 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.

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.

83

The portion of any Delta Apparel incentive stock award that vests or is paid 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 or is paid 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 aggregate compensation that counts against the Section 162(m) cap in excess of \$1 million in any fiscal year in which compensation paid pursuant to the plan becomes taxable.

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).

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 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 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.

84

SECURITY OWNERSHIP OF SIGNIFICANT BENEFICIAL OWNERS
AND MANAGEMENT

Based on the beneficial ownership of Delta Woodside shares as of May 19, 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 May 19, 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".

Beneficial Owner -----	Shares Beneficially Owned -----	Percentage -----
Reich & Tang Asset Management L. P. (1) 600 Fifth Avenue New York, New York 10020	300,700	12.9%
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	193,822	8.3%
E. Erwin Maddrey, II (4)(20) 233 North Main Street Suite 200 Greenville, SC 29601	347,592	14.8%
Bettis C. Rainsford (5)(20) 108-1/2 Courthouse Square Post Office Box 388 Edgefield, SC 29824	334,218	14.3%
Buck A. Mickel (6) (7)(20) Post Office Box 6721 Greenville, SC 29606	158,742	6.8%
85		
Micco Corporation (7) Post Office Box 795 Greenville, SC 29602	124,063	5.3%
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) Post Office Box 6721 Greenville, SC 29606	149,694	6.4%

William F. Garrett (11)(20)	27,171	1.2%
C. C. Guy (12)(20)	3,848	(19)
Robert W. Humphreys (13)(20)	8,996	(19)
Dr. James F. Kane (14)(20)	4,055	(19)
Dr. Max Lennon (15)(20)	2,881	(19)
Herbert M. Mueller (16)	845	(19)
Marjorie F. Rupp (17)	711	(19)
All current directors and executive officers as a group (10 Persons) (18)(20)	889,059	38.1%

(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 and on telephone confirmation received on May 15, 2000. 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

86

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. 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 and a Schedule 13F filed on May 4, 2000 that were 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

87

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 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 324,604 shares of Delta Woodside's common stock (32,460 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 324,604 Delta Woodside shares (32,460 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).

88

(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).

(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 Anne 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 this amendment will 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 623 Delta Woodside shares (62 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

89

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 will 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."

(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 will 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) held for the directors and executive officers on May 19, 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 will 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 other notes above to the table do not include these Delta Apparel shares or the Delta Woodside shares to which they relate.

90

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, on one or more dates 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:

<TABLE>

<CAPTION>

Name and position	Shares Covered by Options(1)	Shares Covered by Awards(2)
-----	-----	-----
<S>	<C>	<C>
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

</TABLE>

(1) The compensation grants committee of the Delta Apparel board of directors anticipates that the stock options will be granted on one or more 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 (or, in the case of Mr. Humphreys, August 1, 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."

91

PAYMENTS IN CONNECTION WITH DELTA APPAREL DISTRIBUTION AND 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, award grants could be 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, could translate into stock options for Delta Woodside shares being granted to participants in the plan. In connection with the exercise of any option granted under the plan, Delta Woodside would pay cash to the participant to offset the income taxes attributable to the option exercise and to such cash payment, using an assumed 38% income tax rate.

No award grants complying with all the terms of the plan were made. Around the time of adoption of the plan, however, Delta Woodside did identify the individuals who would be plan participants, determined performance targets for these individuals and communicated these actions to the affected individuals. These communications also informed the participants that new three-year performance goals would be established annually.

To take account of the communications previously made to the plan participants, the fact that all three-year performance periods contemplated by the plan would expire following the record date of the Delta Apparel and Duck Head distributions and the efforts of the key executives and directors on behalf of Delta Woodside leading up to the Delta Apparel distribution and the Duck Head distribution, Delta Woodside's board (based on resolutions of its compensation grants and compensation committees) has decided that, once the record date for the Delta Apparel distribution and the Duck Head distribution is established, Delta Woodside shares shall be issued and cash shall be paid prior to the Delta Apparel and Duck Head record date to those individuals who were intended participants in the plan. These actions, which have been reflected in an amendment to the long term incentive plan, provide that (a) Delta Woodside would issue Delta Woodside shares and make cash payments to the individuals identified for participation in the plan, (b) as a condition to receipt of those Delta Woodside shares and that cash, those individuals would surrender any rights they may have under the plan and (c) no further awards, options or Delta Woodside shares would be granted or issued under the plan.

The number of Delta Woodside shares to be issued and the cash amounts to be paid have been determined by Delta Woodside's compensation grants and compensation committees and the Delta Woodside board. In determining the number of Delta Woodside shares to be issued to each participant, the Delta Woodside compensation grants committee, compensation committee and board used the closing sale price of the Delta Woodside common stock on March 15, 2000 (\$1.50 per share).

The table below sets forth the Delta Woodside shares that will thereby be issued and the cash that will thereby be paid to the individuals who are directors or executive officers of Delta Apparel. The Delta Woodside board anticipates that these Delta Woodside shares will be issued and this cash will be paid prior to the record date for the Delta Apparel distribution and the Duck Head 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 will also be issued and cash will also be paid to Minor H. Mickel, as personal representative of the estate of Buck Mickel (father of Buck A. Mickel). Buck Mickel was a member of the Delta Woodside board of directors until his death in 1998, and 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 as an officer 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.

On or about the time of the Delta Apparel distribution and the Duck Head distribution, William F. Garrett will become the President and Chief Executive Officer of Delta Woodside. In recognition of Mr. Garrett's past service to Delta Woodside and in order to provide him with an additional incentive to remain with Delta Woodside, the Delta Woodside board has authorized the payment to him of \$100,000 in connection with the Delta Apparel distribution and the Duck Head distribution and the payment to him of six additional annual payments of \$150,000 each, with the first of these annual payments to be made in October 2000. Mr. Garrett will forfeit any of these payments remaining to be made in the event that he voluntarily leaves employment with Delta Woodside or such employment is terminated by Delta Woodside for cause. Any remaining amounts payable to him under the arrangement will be paid to him in the event of his death or disability or in the event there is a change of control of Delta Woodside and he does not remain with Delta Woodside. See also the information below under the subheading "Early Exercisability and Other Amendments of Delta Woodside Stock Options and Amendments to Deferred Compensation Plan".

Jane H. Greer is the Vice President and Secretary of Delta Woodside. On or about the time of the Delta Apparel distribution and the Duck Head distribution, Ms. Greer will resign from her officer positions with Delta Woodside and its subsidiaries. In connection with this resignation, Delta Woodside will pay Ms. Greer \$53,846 of severance in accordance with the normal provisions of Delta Woodside's severance plan and \$400,000 of severance pursuant to the terms of an employment agreement. Pursuant to amendments to Delta Woodside's stock option plan and her stock options, all of Ms. Greer's outstanding stock options for Delta Woodside shares (covering an aggregate of 22,500 Delta Woodside shares) will remain exercisable until their stated expiration dates notwithstanding the termination of Ms. Greer's employment with Delta Woodside.

David R. Palmer is the Controller of Delta Woodside. On or about the time of the Delta Apparel distribution and the Duck Head distribution, Mr. Palmer will resign from his officer positions with Delta Woodside and its subsidiaries. In connection with this resignation, Delta Woodside will pay Mr. Palmer \$61,250 of severance pursuant to the terms of an employment agreement. Pursuant to amendments to Delta Woodside's stock option plan and his stock options, all of Mr. Palmer's unexercisable stock options for Delta Woodside shares (covering an aggregate of 1,250 Delta Woodside shares) will become exercisable in full no later than 5 business days prior to the record date for the Delta Apparel and Duck Head distributions, and all of Mr. Palmer's outstanding stock options for Delta Woodside shares (covering an aggregate of 5,000 Delta Woodside shares) will remain exercisable until their stated expiration dates notwithstanding the termination of Mr. Palmer's employment with Delta Woodside.

Brenda L. Jones is the Assistant Secretary of Delta Woodside. On or about the time of the Delta Apparel distribution and the Duck Head distribution, Ms. Jones will resign from her officer positions with Delta Woodside and its subsidiaries. In connection with this resignation, Delta Woodside will pay Ms. Jones \$37,019 of severance in accordance with the normal provisions of Delta

Woodside's severance plan and \$37,019 pursuant to the terms of an employment agreement. Pursuant to amendments to Delta Woodside's stock option plan and her stock options, all of Ms. Jones' unexercisable stock options for Delta Woodside

shares (covering an aggregate of 375 Delta Woodside shares) will become exercisable in full no later than 5 business days prior to the record date for the Delta Apparel and Duck Head distributions, and all of Ms. Jones' outstanding stock options for Delta Woodside shares (covering an aggregate of 1,375 Delta Woodside shares) will remain exercisable until their stated expiration dates notwithstanding the termination of Ms. Jones' employment with Delta Woodside.

EARLY EXERCISABILITY AND OTHER AMENDMENTS OF DELTA WOODSIDE STOCK OPTIONS AND AMENDMENTS TO DEFERRED COMPENSATION PLAN

Pursuant to the distribution agreement, Delta Woodside is providing the holders of outstanding options granted under the Delta Woodside stock option plan, whether or not those options are currently exercisable, with the opportunity to amend the terms of their Delta Woodside stock options. The amendment being offered to each holder provides that:

(i) all unexercisable portions of the holder's Delta Woodside stock options become immediately exercisable in full on a date that is no later than five (5) business days prior to the Delta Apparel record date and the Duck Head record date, which will permit the holder to exercise all or part of the holder's Delta Woodside stock option prior to the Delta Apparel record date and the Duck Head 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 option that remains unexercised as of the Delta Apparel record date and the Duck Head record date will remain exercisable for only Delta Woodside shares, and for the same number of Delta Woodside 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).

Delta Woodside anticipates that all holders of outstanding Delta Woodside stock options will probably enter into the proposed amendment.

As a result of these amendments, options for Delta Woodside shares will become 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 Delta Woodside shares:

Name	Number of Delta Woodside shares covered by portion of stock options the exercisability of which will be accelerated
William F. Garrett	37,500
Herbert M. Mueller	4,500
Marjorie F. Rupp	3,000

Also, in connection with the Delta Apparel distribution, Delta Woodside has added a provision to the Delta Woodside stock option plan that provides that, so long as a Delta Apparel employee who holds Delta Woodside stock options remains an employee of Delta Apparel or any of its subsidiaries, those Delta Woodside stock options will remain outstanding until the end of their stated term. This amendment will apply to all Delta Woodside stock options currently held by Mr.

Humphreys (under which he can acquire an aggregate of 22,500 Delta Woodside shares), Mr. Mueller (under which he can acquire an aggregate of 6,000 Delta Woodside shares) and Ms. Rupp (under which she can acquire an aggregate of 4,000 Delta Woodside shares).

In connection with the Delta Apparel and Duck Head distributions, each participant in Delta Woodside's deferred compensation plan will be provided with the opportunity to receive all or part of his or her vested deferred compensation account in cash in exchange for consenting to an amendment to the deferred compensation plan. Under the plan amendment, only the corporation that employs the participant, and not any other member of Delta Woodside's current group of corporations, will be responsible in the future for the participant's deferred compensation. Delta Woodside anticipates that each director and officer of Delta Apparel will consent to the proposed plan amendment and will choose to

continue to defer his or her vested deferred compensation account under the amended plan.

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 (233 North Main, Inc.), 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 233 North Main, Inc. 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, 233 North Main, Inc. 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 233 North Main, Inc. 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

95

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. The initial term of the engagement will be one year. 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.

Carolina Benefits Services expects that it will provide similar payroll processing and 401(k) plan administration services to Duck Head and 401(k) plan administration services to Delta Woodside after the Delta Apparel distribution and the Duck Head distribution.

96

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. Until the Distribution Date (described below), the number of Rights outstanding from time to time 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 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.

97

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

98

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 for federal

income tax purposes 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.

99

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

100

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.

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 contain a provision that limits the personal liability of directors "to the fullest extent permitted" by the Official Code of Georgia.

101

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.

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.

102

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.

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 the issuance of 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.

103

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.

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:

104

- 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.

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 require 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.

105

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 was 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. As part of the intercompany reorganization described in "Relationships Among Delta Apparel, Delta Woodside and Duck Head - Distribution Agreement", Delta Apparel's parent corporation merged into its immediate parent corporation, which in turn merged into Delta Woodside. Prior to the Delta Apparel distribution, 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 Delta Apparel shares of common stock.

106

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 July 31, 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 date that is 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 Securities Exchange Act of 1934 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 - Nominations of Directors" and "Description of Delta Apparel Capital Stock - Stockholder Proposals."

FORWARD-LOOKING STATEMENTS MAY NOT BE ACCURATE

This document, particularly the material under the headings "Risk Factors", "The Delta Apparel Distribution - Reasons for the Delta Apparel Distribution", "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>.

108

DELTA APPAREL COMPANY
INDEX TO COMBINED FINANCIAL STATEMENTS

Financial Statements:

Report of Independent Public Accountants	F-1
Combined Balance Sheets as of July 3, 1999 and June 27, 1998	F-2
Combined Statements of Operations and Accumulated Divisional Deficit for the Years ended July 3, 1999, June 27, 1998 and June 28, 1997	F-3
Combined Statements of Cash Flows for the Years ended July 3, 1999, June 27, 1998 and June 28, 1997	F-4
Notes to Combined Financial Statements	F-5
Condensed Combined Balance Sheet as of April 1, 2000 (unaudited)	F-18
Condensed Combined Statements of Operations and Accumulated Divisional Deficit for the Nine Months Ended April 1, 2000 and March 27, 1999 (unaudited)	F-19
Condensed Combined Statements of Cash Flows for the Nine Months ended April 1, 2000 and March 27, 1999 (unaudited)	F-20
Notes to Unaudited Condensed Combined Financial Statements (unaudited)	F-21

109

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

F-1

<TABLE>
<CAPTION>

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.

F2

<TABLE>
<CAPTION>

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	\$(66,556)	(47,366)	(23,059)
	=====	=====	=====

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>

F3

<TABLE>
<CAPTION>

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
	<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

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

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:

<TABLE>
 <CAPTION>

	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,	JUNE 27,	JUNE 28,
	1999	1998	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,	JUNE 27,	JUNE 28,
	1999	1998	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,	JUNE 27,
	1999	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)

	APRIL 1, 2000
ASSETS	
<S>	<C>
Current Assets:	
Cash	\$ 116
Accounts and other receivables, net	17,482
Inventories	31,217
Prepaid expenses and other current assets	1,032
Total current assets	49,847
Property, plant and equipment, net	27,778
Other assets	150
	\$ 77,775
LIABILITIES AND DIVISIONAL DEFICIT	
Current Liabilities:	
Current installments on long-term debt	\$ -
Accounts payable and accrued liabilities	12,051
Due to affiliates	101,547
Income taxes payable	268
Total current liabilities	113,866
Long-term debt	30,417
Other long-term liabilities	522

Total liabilities	144,805
Divisional deficit	(67,030)

	\$ 77,775
	=====

See accompanying notes to condensed combined financial statements.

</TABLE>

F-17

<TABLE>
<CAPTION>

DELTA APPAREL COMPANY

Condensed Combined Statements of Operations and Accumulated Divisional Deficit
(Amounts in thousands, except per share amounts)
(unaudited)

	FOR THE NINE MONTHS ENDED	
	APRIL 1, 2000	MARCH 27, 1999
	-----	-----
--		
<S>	<C>	<C>
Net sales	\$ 77,513	
63,679		
Cost of goods sold	65,847	
59,118		
---	-----	-----
4,561	Gross profit	11,666
Selling, general and administrative expenses	5,700	
8,353		
Other expenses	21	
193		
---	-----	-----
(3,985)	Operating income (loss)	5,945
---	-----	-----
6,870	Interest expense, net	6,431
---	-----	-----
(10,855)	Loss before taxes	(486)
Income tax benefit	(13)	
(51)		
---	-----	-----
	Net loss	(473)

(10,804)		
Accumulated divisional deficit, beginning of period (47,366)		(66,556)
---		-----
Accumulated divisional deficit, end of period (58,170)	\$	(67,030)
=====		=====
Pro forma net loss per share (note 4) Basic and diluted	\$.20
		=====
Basic and diluted weighted-average common shares outstanding		2,400,000
		=====

See accompanying notes to condensed combined financial statements.

</TABLE>

F-18

<TABLE>
<CAPTION>

DELTA APPAREL COMPANY
Condensed Combined Statement of Cash Flows
(Amounts in thousands)
(unaudited)

MONTHS ENDED	FOR THE NINE
-----	-----
MARCH 27, 1999	APRIL 1, 2000
-----	-----
<S>	<C>
<C>	
Operating activities:	
Net loss	\$ (473)
(10,803)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation	4,922
7,562	
Loss (gain) on sale of property and equipment	1
467	
Other	40
27	
Changes in operating assets and liabilities	
Accounts receivable	6,817
9,705	
Inventories	(4,183)
(13,739)	
Prepaid expenses and other current assets	(160)
(39)	
Other noncurrent assets	69
(7)	
Deferred taxes	

(4,632)	Accounts payable and accrued expenses	1,422
(102)	Income taxes payable	358
-----		-----
(11,560)	Net cash provided by (used in) operating activities	8,813
-----		-----
Investing activities:		
(2,470)	Purchases of property, plant and equipment	(1,261)
-----		-----
(2,470)	Net cash used in investing activities	(1,261)
-----		-----
Financing activities:		
(180)	Principal payment on long-term debt	(339)
14,184	Change in due to related parties, net	(7,499)
-----		-----
14,004	Net cash provided by (used in) financing activities	(7,838)
-----		-----
(26)	Decrease in cash	(286)
101	Cash at beginning of period	402
-----		-----
74	Cash at end of period	\$ 116
=====		=====
Supplemental cash flow information:		
27	Cash paid during the period for interest	\$ 27
=====		=====

See accompanying notes to condensed combined financial statements.

</TABLE>

F-19

DELTA APPAREL COMPANY
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(Amounts in thousands)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed combined financial statements for the nine months ended April 1, 2000 and March 27, 1999, 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 April 1, 2000, and the results of its operations and its cash flows for the nine months ended April 1, 2000 and March 27, 1999, respectively. The results for the nine months ended April 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:

	April 1, 2000

Raw materials	\$ 2,847
Work in process	9,430
Finished goods	18,940

	\$ 31,217
	=====

NOTE 3 - COTTON PROCUREMENTS

Delta Apparel has entered into agreements, and has fixed prices, to purchase cotton for use in its manufacturing operations. At April 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.

<TABLE>
<CAPTION>

SCHEDULE II

Valuation and qualifying accounts

ALLOWANCE FOR DOUBTFUL ACCTS:

END	BEG	EXPENSE	CHARGED TO OTHER	CREDITS ISSUED
---	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
<C>				
Nine Month, 2000	3,199,000	151,000		(1,183,000)
2,167,000				
1999	776,000	2,795,000		(372,000)
3,199,000				
1998	443,000	685,000		(352,000)
776,000				
1997	1,499,000	41,000		(1,097,000)
443,000				

RETURNS AND ALLOWANCES

END	BEG	EXPENSE	CHARGED TO OTHER	CREDITS ISSUED
---	---	-----	-----	-----
Nine Month, 2000	1,855,000	841,000		(2,089,000)
607,000				
1999	553,000	2,059,000		(757,000)
1,855,000				
1998	141,000	195,000	483,000	(266,000)
553,000				
1997	572,000	(329,000)		(102,000)
141,000				

TOTAL

END	BEG	EXPENSE	CHARGED TO OTHER	CREDITS ISSUED
---	---	-----	-----	-----
Nine Month, 2000	5,054,000	992,000		(3,272,000)
2,774,000				
1999	1,329,000	4,854,000		(1,129,000)
5,054,000				
1998	584,000	880,000	483,000	(618,000)
1,329,000				
1997	2,071,000	(288,000)		(1,199,000)
584,000				

</TABLE>